

Sri Lanka

The Development Challenge: After two decades of war that has short-circuited development and torn apart the nation's social fabric, Sri Lanka finds itself with a pivotal opportunity to achieve sustainable peace. The change of administration in December 2001 put the sidetracked search for a negotiated settlement back on course: A ceasefire agreement between the new Government and the Liberation Tigers of Tamil Eelam (LTTE) was signed in February 2002, and formal talks began in September 2002. Throughout the process, both parties to the conflict have demonstrated willingness to take risks and make compromises. A key factor in bringing them to the negotiating table - severely depleted economic resources - figures to be a continuing post-conflict constraint. Substantial international assistance will be required to meet the enormous reconstruction, rehabilitation and reconciliation needs.

The short-term focus of support must be on the war-ravaged North and East, to which more than ¼ of an estimated 800,000 internally displaced persons (IDPs) have returned. The successful reintegration of IDPs and an estimated 85,000 refugees from India into communities of origin and resettlement villages will require significant human and material resources. Priority tasks include eliminating the danger of landmines; rebuilding homes, schools and hospitals; rehabilitating water and sanitation infrastructure; and providing sustainable livelihoods.

Despite the enormity and urgency of needs in the North and East, peace dividends must be perceived as benefiting all Sri Lankans in order to have universal investment in the ongoing process. This will require economic and social development island-wide, along with a viable devolution arrangement that meets the aspirations of all groups within the nation's pluralistic society. Having learned from post-independence history that high unemployment is likely to result in social unrest, the Government seeks to better align the supply of adequately trained labor with the demands of a modernizing and increasingly outward-looking job market. The need for job creation - particularly for youth -- will be critical during the next few years.

The Government is committed to facilitating private sector-led growth. Energized by a year of peace, the trade-based economy has bounced back slowly in 2002 after the 1.4-percent contraction in 2001, the first since independence in 1948. An end to drought-induced power cuts, the ceasefire agreement and economic reform efforts are key factors contributing to a projected growth rate of 3 percent in 2002. Spending is required island-wide to renovate and construct essential infrastructure, create 2 million jobs and provide social services to address poverty. The GSL's ability to respond is severely constrained, however, by the continued high cost of maintaining its security forces, which accounts for 16 percent of government spending, and the burden of servicing a \$1.5 billion debt, which is equivalent to 104 percent of GDP and accounts for more than 30 percent of government expenditures in interest payments alone.

With a per-capita income of \$823 (GNP), life expectancy of 72.1 years, infant mortality of 17 per 1,000 live births, and adult literacy rate of 92.6 percent, Sri Lanka ranks 89th of 173 countries on the latest UNDP Human Development Index. The country's high social indicators relative to the rest of South Asia and most of the developing world mask, however, the reality of life in conflict-affected areas and the full impact of 20 years of war. This is because reliable data from the North and much of the East have been unavailable since 1990.

The USAID Program: USAID will devote \$6.05 million in DA and CSH funds and \$4 million in ESF to its FY 2003 program and requests \$5.5 million DA and CSH and \$14 million ESF for FY 2004. Assistance will continue to refocus in response to challenges and opportunities arising from the peace process. At the same time, the overarching goal of the USAID program in Sri Lanka remains sustainable, broad-based human development through economic growth. This is to be achieved through programs and activities in support of:

- increased economic competitiveness in the global marketplace;
- good governance, active civil participation and respect for human rights;
- improved social and economic integration for disadvantaged groups, with special focus on the disabled, war-affected children and victims of violence; and

-- rapid, flexible response to rehabilitation, reconstruction and reconciliation needs.

The first three above-mentioned are Strategic Objectives (SOs) identified in USAID's 2001-2005 Country Development Strategy. The specific activities to be funded by FY 2003 and FY 2004 appropriations under these SOs are described in more detail in the attached program Data Sheets. Congressionally earmarked funds support the bulk of activities under SO 3, addressing integration for disadvantaged groups through Leahy War Victims, Displaced Children and Orphans, and Victims of Torture funding. After consultation with USAID/Washington, the Victims of Torture funding was shifted in August 2002 from the Democracy and Governance to the Humanitarian Assistance program in order to better reflect its congressional mandate.

The Special Objective, "Promoting the Benefits of Peace," addresses emerging opportunities and challenges in an evolving post-conflict environment, responding to Government requests and short-term, urgent needs identified in several recent assessments conducted with support from Washington. It allows USAID to access flexible funds to support initiatives sustaining the peace process and complementing the Mission's long-term Country Development Strategy, under revision, as well as the Government's vision for broad-based, sustainable human development. These programs will bridge the gap to FY 2004, when additional ESF becomes available.

Other Program Elements: Two regional projects support USAID's economic growth and competitiveness thrust through transfer of expertise and technology and increased cooperation among stakeholders. US-AEP will continue to focus on policy and technology transfer related to urban waste and environmental management. SARI/Energy is helping the Government to broaden participation and improve management of the energy sector, providing a cleaner, less expensive and higher quality energy supply to business and industry.

Development Assistance from USAID/Washington supports a four-year study by Family Health International to compare the success, safety and surgical difficulties of two vasectomy techniques (through mid-2003). Other centrally funded programs operational in FY 2002 included support for the re-greening of Sri Lanka through an analog forestry project that assisted small-holder farmers in moving towards high-value, certified environmentally friendly products (completed in 2002), and assistance to the Salesian Missions, a U.S. private voluntary organization, to provide vocational education training in non-traditional fields for young women (ongoing through 2006).

Other Donors: Japan was Sri Lanka's biggest donor at the end of 2001, followed by the Asian Development Bank and the World Bank, according to the latest available figures from the Government. Other major sources of overseas development assistance to Sri Lanka include Germany, China and the U.S., the sixth-largest donor overall.

The United States remains the leading donor in its support for economic growth through private-sector development, complimented by Germany, Norway, Sweden and the European Union. Multilateral donors such as the World Bank, Asian Development Bank and International Monetary Fund focus primarily on macroeconomic interventions. Though all donors provide some form of humanitarian assistance as a part of their portfolios, the U.S. continues at the forefront in its extensive support for the provision of civilian prosthetics, orthotics and wheeled mobility devices. Due to tremendous needs, assistance for children affected by conflict is widespread, and support for victims of torture is a growing area of interest. USAID is coordinating and collaborating with other donors in both areas.

**Sri Lanka€
PROGRAM SUMMARY€**

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Child Survival and Health Programs Fund	300	300	300	500
Development Assistance	3,399	5,150	5,750	5,000
Economic Support Fund	0	3,000	4,000	14,000
PL 480 Title II	0	1,325	0	0
Total Program Funds	3,699	9,775	10,050	19,500

STRATEGIC OBJECTIVE SUMMARY

383-003 Humanitarian Assistance				
CSH	300	300	300	500
DA	400	1,900	500	0
ESF	0	200	0	1,000
383-004 Competitiveness				
DA	2,999	3,250	3,000	4,250
ESF	0	0	2,000	3,000
383-005 Democracy and Governance				
DA	0	0	2,000	500
ESF	0	2,800	0	4,000
1/ 383-XXX ANE Regional US-AEP				
DA	0	0	250	250
383-YYY Transition Initiatives				
ESF	0	0	2,000	6,000

^{1/} USAID plans to obligate \$250,000 in FY 2003 and \$250,000 in FY 2004 under the regional U.S.-Asia Environmental Partnership (498-009) for activities in Sri Lanka.

Data Sheet

USAID Mission:	Sri Lanka
Program Title:	Improved Framework for Trade and Investment
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	383-001
Status:	Continuing
Proposed FY 2003 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$0
Year of Initial Obligation:	NA
Estimated Completion Date:	NA

Summary: This Strategic Objective (SO) has been closed out. The Mission does not plan to obligate resources under this SO in FY 2003 nor FY 2004.

Inputs, Outputs, Activities:

FY 2003 Program:

Not applicable

FY 2004 Program:

Not applicable

Performance and Results: Not applicable

Data Sheet

USAID Mission:	Sri Lanka
Program Title:	Citizens' Rights Better Protected in Law and Pract
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	383-002
Status:	Continuing
Proposed FY 2003 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$0
Year of Initial Obligation:	NA
Estimated Completion Date:	NA

Summary: This Strategic Objective (SO) has been closed out. The Mission does not plan to obligate resources under this SO in FY 2003 nor FY 2004.

Inputs, Outputs, Activities:

FY 2003 Program:

Not applicable.

FY 2004 Program:

Not applicable.

Performance and Results: Not applicable.

Data Sheet

USAID Mission:	Sri Lanka
Program Title:	Humanitarian Assistance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	383-003
Status:	Continuing
Proposed FY 2003 Obligation:	\$300,000 CSH; \$500,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$500,000 CSH; \$1,000,000 ESF
Year of Initial Obligation:	FY 1998
Estimated Completion Date:	FY 2005

Summary: Two decades of civil war in Sri Lanka have claimed an estimated 65,000 lives and left countless survivors either disabled, emotionally scarred, or both. The trauma of shelling and mines, absence of human security, loss of family members, and repeated displacement has taken a particularly heavy toll on children. Victims of torture and systematic violence, as well as their families, have few places to turn and inadequate services available to them. The Humanitarian Assistance objective is aimed at improving the social and economic integration of targeted disadvantaged groups, in particular people with mobility disabilities, vulnerable children and young people, and victims of torture and systematic violence.

Inputs, Outputs, Activities:

FY 2003 Program:

In late FY 2002 USAID reshaped the existing strategic objective to more accurately reflect the envisioned results that incorporate activities described above with an overall objective of greater integration of the disadvantaged groups, a process of particular importance as Sri Lanka endeavors to create a lasting peace.

Improve support to the disabled (\$500,000 DA). Through provision of technical assistance, training and equipment, the program is introducing modern prosthetic, orthotic and mobility device technologies to expand options and provide a more holistic approach to rehabilitation. Working with an international NGO and local partners, USAID is supporting the development of an appropriate model of care, services and equipment provision.

Reintegrate traumatized children and youth into community life (\$300,000 CSH). USAID has further developed this program in response to the peace process. Awareness campaigns and training will enhance capacity of families and communities to address threats to security such as child recruitment, violence and sexual exploitation. Support and training of local NGOs will improve services that address emotional and social needs of children and youth affected by conflict. Activities will include after-school support; inter-ethnic playgroups, arts and sports; weekend camps to promote cross-cultural understanding; and programs to prevent child sexual abuse.

Improve services and support to victims of violence. Since receiving the Victims of Torture funds in late FY 2002, the Mission has developed relationships with organizations serving victims of torture and systematic violence, and researched issues that impact on victims' ability to access services and recover from trauma. In the second quarter of FY 2003 a technical team will develop a strategy for the \$1.75 million program, prioritizing needs of victims and their families, identifying technically appropriate activities and awarding grants to local NGOs.

FY 2004 Program:

USAID's Humanitarian Assistance program will become fully operational as programs to assist victims of violence get underway, and support for improving the nutritional status of children and increasing

HIV/AIDS awareness gets underway. Help for the disabled will begin to address core issues restricting this group's fuller integration and assistance for conflict-affected youth will be expanded to meet increased needs associated with the return of IDPs and refugees.

Improve access for the disabled (\$500,000 ESF). Program elements will include continued technical assistance and training in application of improved prosthetics technology; long-term prosthetics training for five additional Sri Lankans; design of more appropriate and cost-effective wheeled mobility devices; and initiation of the employment and advocacy activities to address the socio-cultural, legislative and economic barriers to integration of people with disabilities.

Reintegrate children and youth back into community life (\$500,000 CHS). USAID will expand support for counseling and psycho-social services to children and youth among expected rising numbers of IDP and refugee returnees. Technical assistance will ensure that children receive appropriate services, help to develop national standards for psycho-social counselors, and provide on-going training to ensure implementation. Youth group networks will be formed to develop leadership and support systems for children and youth affected by conflict.

Improve services and aid to victims of violence. USAID will facilitate the expansion and improvement of services offered to community centers for victims of torture and their families; offer training to better equip counselors and social workers; institute a follow-up system to ensure that additional needed services are provided; and help develop support groups of victims and their families to assist in successful integration into family, school, community and workforce.

Improve nutritional status of children and adolescents (\$250,000 ESF). Armed conflict, drought and food insecurity has greatly deteriorated the nutritional level of rural populations in the North, East and southern dry zone. By international standards prevailing diets are poor in critical vitamins and micro-nutrients. Nutritional deficiencies in the most severely affected communities will be addressed by increasing availability of vitamin supplements and training mothers to maximize vitamin and micro-nutrient intake in locally grown foods.

Increased HIV/AIDS awareness and prevention (\$250,000 ESF). Funding will support expansion of indigenous NGO programs currently providing small-scale HIV/AIDS activities to vulnerable populations including adolescents and young adults. Internal displacement, migratory patterns of seasonal labor, gender-based violence, inadequate reproductive health services in IDP camps, military bases in urban communities, and the expected return of refugees from high prevalence areas put Sri Lankans increasingly at risk for HIV/AIDS. Planned assistance will increase awareness and provide counseling and voluntary testing to targeted high-risk groups.

Performance and Results: The two cooperative agreements slated to be signed in FY 2002 were delayed and in the interim, USAID funded a \$100,000 bridge grant to the Motivation Charitable Trust to conduct an initial assessment of the technical and administrative capacity of prosthetics, orthotics and wheeled mobility device products and providers. Motivation developed a strategy and implementation plan for the introduction of improved and more appropriate technology. The Mission funded five students to attend a three-year internationally recognized course for certification as prosthetists and orthotists. Mission staff continued during FY 2002 to share information with other donors and NGOs regarding the psycho-social needs of children and youth affected by conflict. Programs were planned in anticipation of the signing during the second quarter of FY 2003 of an umbrella grant with an international NGO. Funding for the victims of violence program was received in late FY 2002, at which point site visits to potential grantees were conducted.

USAID's humanitarian assistance program will improve the social and economic integration of targeted disadvantaged groups into the community.

Principal Contractors, Grantees and other Agencies: USAID activities to improve support for the disabled will be implemented by Motivation Charitable Trust.

US Financing in Thousands of Dollars

Sri Lanka

383-003 Humanitarian Assistance	CSH	DA	ESF
Through September 30, 2001			
Obligations	300	5,577	0
Expenditures	300	5,122	0
Unliquidated	0	455	0
Fiscal Year 2002			
Obligations	0	250	0
Expenditures	0	141	0
Through September 30, 2002			
Obligations	300	5,827	0
Expenditures	300	5,263	0
Unliquidated	0	564	0
Prior Year Unobligated Funds			
Obligations	0	0	0
Planned Fiscal Year 2003 NOA			
Obligations	300	500	0
Total Planned Fiscal Year 2003			
Obligations	300	500	0
Proposed Fiscal Year 2004 NOA			
Obligations	500	0	1,000
Future Obligations	0	0	0
Est. Total Cost	1,100	6,327	1,000

Data Sheet

USAID Mission:	Sri Lanka
Program Title:	Competitiveness
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	383-004
Status:	Continuing
Proposed FY 2003 Obligation:	\$3,000,000 DA; \$2,000,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$4,250,000 DA; \$3,000,000 ESF
Year of Initial Obligation:	FY 2000
Estimated Completion Date:	FY 2005

Summary: The USAID program continues to provide economic assistance to public and private sector partners to reform policy, reduce operational bottlenecks and build sustainability for private sector-led growth. The Competitiveness SO will be refined as part of the Mission's revised five- year strategy to begin in FY 2004.

Inputs, Outputs, Activities:

FY 2003 Program:

USAID economic assistance will focus on enhancing Sri Lanka's competitiveness in the areas of economic reform, strengthening key private sector industries and workforce enhancement:

Economic reform (\$1,000,000 DA, \$900,000 ESF). USAID will continue to provide advisors to support further planning and implementation of "Regaining Sri Lanka," the GSL's roadmap for national economic recovery. Priority will be given to those among the 36 economic reforms that have the greatest multiplier effect in terms of developmental impact, private sector benefit and link with higher-level USG trade and investment objectives on global competitiveness. In addition, U.S. Department of Treasury technical assistance will support the GSL's Ministry of Finance.

Strengthen private industry (\$850,000 DA, \$1,000,000 ESF). Assistance to private-sector industry clusters will be geared toward facilitating the transition to self-sustainability, with cluster members determining ways and means of future collaboration. Three clusters will be identified for stepped-up assistance based on their potential to compete globally and to create new, higher-end jobs at home. Support for research, analysis and partnerships with U.S. industries will help identify opportunities for selected clusters to bolster competitiveness through adaptation of environmentally friendly technologies and practices. A USAID-funded study will determine the feasibility of establishing a fee-for-service agreement to provide International Executive Service Corps (U.S.) expertise to the private sector through the American Chamber of Commerce.

Workforce enhancement (\$1,150,000 DA, \$100,000 ESF). With an aim to increase the depth of understanding and interest in the private sector among future generations, USAID is expanding the Junior Achievement program by 50 rural schools to a total of 170 island-wide. Given the high risk that unemployment, particularly among youth, poses in post-conflict settings, USAID will support targeted activities through public-private sector partnerships to better align Sri Lanka's outdated vocational education system with private sector employment opportunities.

FY 2004 Program:

USAID will continue to support various GSL-led initiatives contributing to a favorable economic policy and regulatory environment. Inclusion of firms in the North, East and deep South within targeted industry clusters, coupled with development of private sector organizations and networks for increased cross-regional trade, will help re-knit and strengthen the national economy. Support will continue to facilitate alignment of vocational education with the job market.

Economic reform (\$750,000 DA, \$1,000,000 ESF). USAID will focus its technical assistance and training resources to support implementation of targeted competitiveness-related policy and institutional reforms consistent with the "Regaining Sri Lanka" roadmap. Likely areas of intervention include industry, agriculture, trade (particularly assistance required to negotiate a Trade and Investment Framework Agreement), labor markets and productivity, and customs. A U.S. Department of Treasury advisor will continue to assist the Ministry of Finance.

Strengthen private industry (\$2,750,000 DA, \$1,000,000 ESF). Support will be provided to three industry clusters with high-growth potential to upgrade their workforces, increase productivity, establish new markets and alliances, and continue market and product research. Private sector firms and associations in the North, East and deep South will be encouraged to participate. Clusters with action plans to boost competitiveness by "going green" will implement them through partnerships with cutting-edge industries and institutions in the United States. If the results of the AMCHAM/IESC feasibility study are positive, USAID will provide start-up funds for specific technical assistance to Sri Lankan industries on a fee-for-service basis, shifting demand and responsibility for program sustainability to its primary beneficiaries, the private sector.

Workforce enhancement (\$750,000 DA, \$1,000,000 ESF). Responding to the GSL's stated need to create 2 million new jobs, USAID assistance will support the public and private sector to realign its vocational education system to meet demands for the higher skill levels required to be competitive in the global marketplace. Support will continue to expand the Junior Achievement program with a focus on schools in the North and East.

Performance and Results: USAID's competitiveness initiative continued to make significant gains over the past year, during which eight industry clusters became fully operational and developed strategies and roadmaps of regulatory reform for consideration by the GSL. The information and communication cluster strategy became the basis of the GSL's e-Lanka initiative, promoting a broad, youth-oriented and employment-specific integration of information technology (IT) as part of the nation's post-conflict recovery plan. In addition, a number of alliances between the public sector, private sector and academia resulted from cluster activities. Initiatives to boost the tourism market spawned the creation of the first leg of a nation-wide network of bicycle trails and a tourist-oriented development plan for Sri Lanka's cultural triangle.

With a pro-business government in place, long-term advisors were provided to two key ministries, making significant contributions to the development of "Regaining Sri Lanka," the GSL's keystone post-conflict economic recovery strategy; the draft National Productivity Strategy, spearheading the reform of the private sector for greater productivity; and the acceptance of a cabinet-level paper to create a National Competitiveness Council, with government, business, labor and academic representation. In order to promote greater trade links with the U.S. and the budding IT industry, a trade mission for 11 Sri Lankan firms was organized to develop reciprocal commercial agreements with U.S. partners. USAID also supported a U.S. study tour for leading GSL, private sector, Parliament and labor union representatives to build support for future productivity and labor reform activities.

Continued progress in this objective will significantly increase global competitiveness of selected key industries and create the economic climate necessary to attract investments required for sustainable, private-sector-led growth.

Principal Contractors, Grantees or Agencies: Competitiveness -- Nathan Associates (prime), and J.E. Austin Associates (sub); Junior Achievement -- Young Entrepreneurs Sri Lanka; fee-based services -- American Chamber of Commerce in Sri Lanka (prime) and International Executive Service Corps (sub).

US Financing in Thousands of Dollars

Sri Lanka

	DA	ESF
383-004 Competitiveness		
Through September 30, 2001		
Obligations	16,529	0
Expenditures	11,729	0
Unliquidated	4,800	0
Fiscal Year 2002		
Obligations	2,990	0
Expenditures	3,624	0
Through September 30, 2002		
Obligations	19,519	0
Expenditures	15,353	0
Unliquidated	4,166	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	3,000	2,000
Total Planned Fiscal Year 2003		
Obligations	3,000	2,000
Proposed Fiscal Year 2004 NOA		
Obligations	4,250	3,000
Future Obligations	0	0
Est. Total Cost	26,769	5,000

Data Sheet

USAID Mission:	Sri Lanka
Program Title:	Democracy and Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	383-005
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,000,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$500,000 DA; \$4,000,000 ESF
Year of Initial Obligation:	FY 2002
Estimated Completion Date:	FY 2005

Summary: Three recent pivotal changes in Sri Lanka's political landscape augur well for USAID's prospects of success in supporting improved democracy and governance: the election of a new government in December 2000; the February 2002 agreement for cessation of hostilities; and the ongoing peace negotiations which began in September 2002. The Mission's Democracy and Governance program is currently supporting the peace process by providing assistance to the Peace Secretariat and by helping to build constituencies for peace. A just-completed Conflict Mitigation and Democracy Assessment will form the basis for a reshaped program to promote peace and reconciliation.

Inputs, Outputs, Activities:

FY 2003 Program:

USAID signed a new strategic objective agreement with the GSL in mid-2002 in which strengthening of the newly formed Peace Secretariat was the central element. The FY 2003 program continues to assist the Secretariat and to increase public awareness at the national and grass roots levels of the tangible benefits and future directions of the peace process.

Strengthened Peace Secretariat (\$125,000 DA). USAID resources will provide enhanced management skills and IT capabilities, expanding training for the media unit, proffering expertise from former international peace negotiators on pressing issues related to the peace process, and facilitating demand-driven research and analysis to identify and share best practices and lessons learned.

Expand constituencies for peace (\$125,000 DA). The media's ability to report on core peace-process issues, contributing to an informed, fact-based, analytical dialogue at grass-roots level, will continue to be strengthened by USAID resources. Creative approaches will be sought for peacebuilding, including a planned teledrama to be broadcast in the local languages. Indigenous think tanks will undertake research and conduct opinion polls among key stakeholder groups, allowing the Peace Secretariat to disseminate focused messages to potential spoilers of the process. Access to the expertise of former peace negotiators will be expanded to regional centers of the country.

Initiate new strategy to support peace and reconciliation (\$1,750,000 DA). Informed by the recently completed Conflict Mitigation and Democracy Assessment, USAID will reshape the Strategic Objective as appropriate, select mechanisms and begin prioritized implementation of programs to reduce propensity for conflict among key groups, strengthen capacity for good governance and reform, and expand access to legal/political channels for vulnerable groups.

FY 2004 Program:

The Mission's Democracy and Governance strategic objective, which was designed in FY 2002, is currently being reshaped to reflect the new opportunities and challenges of the peace process. It will be fully implemented in FY 2004, incorporating recommendations from the recent Conflict Mitigation and Democracy Assessment.

Reduce propensity for conflict among key groups (\$1,000,000 ESF). Training and capacity building is planned to strengthen or create civil society organizations, particularly in the North and East, that bridge divided communities through diverse membership and shared, mutually agreed upon development goals. Establishing regional offices of the Peace Secretariat will improve the Government of Sri Lanka's ability to assess stakeholder reactions and maximize responsiveness to citizens' needs and concerns. Regional training for young practicing or aspiring journalists in conflict-sensitive reporting, and support for development of regional media will target hotspots and potential spoilers of the peace process. Civic education aimed at youth will promote social responsibility and democratic values using a problem-solving approach through informal education channels that supports dialogue with local and regional government.

Strengthen capacity for good governance and reform (\$2,250,000 ESF). Constitutional political reform at the national level will be consolidated through technical assistance, research, surveys and mechanisms to disseminate broadly facts on key governance issues and contribute to public debate. The smooth transition to more decentralized governance will be encouraged by resources supporting more transparent, participatory and professional resource allocation and public service delivery in several selected localities. Administrative capacity of national and provincial legislatures will be bolstered through multi-partisan training and development of committee systems.

Expanded legal recourse for vulnerable groups (\$500,000 DA, \$750,000 ESF). Increased access to legal aid for local minorities and other vulnerable groups will strengthen the rule of law by allowing disadvantaged segments of society to assert their rights. Beneficiaries will include displaced persons and recent returnees, female-headed households, women workers, children and the disabled in the North, East and central hill country plantation community. Assistance supporting the establishment of Ministry of Justice mediation boards in new areas, including the North and East, will further promote non-violent dispute resolution while increasing expediency of the formal court system.

Performance and Results: With the election of the new government in December 2001 and the renewed efforts at peace, the Mission seized the opportunity to quickly mobilize resources for the newly formed GSL Peace Secretariat. Technical assistance enhanced the functional and analytical capacity of the Secretariat to respond to specific needs of the negotiators and to build support for the peace process. A South African journalist who played an active role in his country's peace and reconciliation process helped develop a media unit capable of delivering solid, real-time information to the media and the public on the progress of the peace process, and laid the groundwork for future training and peacebuilding projects with local journalists and news broadcasters. USAID also contributed to the design of the EU-funded Secretariat web site, which has become a key source for balanced and timely news and links to other sites related to conflict analysis and peacebuilding. Former international peace negotiators from Guatemala, El Salvador and Northern Ireland were made available to work with the Peace Secretariat staff and negotiators, sharing strategies and lessons learned and providing a sounding board to facilitate preparations for the first round of negotiations in September 2002. Lastly, USAID support and assistance helped put in place structures and strategies enabling the Peace Secretariat to gauge and respond to public opinion.

By the end of the program, USAID support will have strengthened constituencies for peace, increased institutional capacity to implement reforms that consolidate peace and address root causes of conflict, and facilitated greater empowerment of vulnerable groups to assert their rights.

Principle Contractors, Grantees or Agencies: USAID's FY 2003 activities in support of the peace process are implemented through the Academy for Educational Development (AED).

US Financing in Thousands of Dollars

Sri Lanka

	DA	ESF
383-005 Democracy and Governance		
Through September 30, 2001		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2002		
Obligations	0	3,000
Expenditures	0	0
Through September 30, 2002		
Obligations	0	3,000
Expenditures	0	0
Unliquidated	0	3,000
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	2,000	0
Total Planned Fiscal Year 2003		
Obligations	2,000	0
Proposed Fiscal Year 2004 NOA		
Obligations	500	4,000
Future Obligations	0	0
Est. Total Cost	2,500	7,000

Data Sheet

383-006: No Summary and/or Pillar information entered for this SO.

Data Sheet

383-XXX: No Summary and/or Pillar information entered for this SO.

Data Sheet

USAID Mission:	Sri Lanka
Program Title:	Transition Initiatives
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	383-YYY
Status:	New
Proposed FY 2003 Obligation:	\$2,000,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$6,000,000 ESF
Year of Initial Obligation:	FY 2003
Estimated Completion Date:	FY 2006

Summary: After 20 years of armed conflict, broad-based, sustainable human development in Sri Lanka hinges on peace. This in turn requires a critical mass of people invested in the process and its perceived outcomes. Although the three existing Strategic Objectives offer sufficient latitude to address a number of these opportunities, funding mechanisms don't provide the fast, flexible interventions needed in an evolving post-conflict scenario. This Special Objective will utilize Office of Transition Initiatives (OTI) funding and technical assistance, in addition to ESF to support constituencies for peace and engage constructively with potential spoilers through job training, microcredit, small-scale infrastructure projects, community development, and a variety of media-related activities, among other things. The aim is to create the space and buy the time for both sides to work through the complex, contentious issues that must be resolved in order to reach a negotiated, binding settlement - a process that could take years. All assistance under this Special Objective would be approved by the Mission and complement USAID's Country Development Strategy. This is currently under development and will be informed by the recently completed Conflict Mitigation and Democracy Assessment.

Inputs, Outputs, Activities:

FY 2003 Program:

USAID's ability to expand its level of assistance in FY 2003 to support the peace process is contingent on the combined availability of ESF and a positive response to the Mission's request for an OTI program, as called for in a post-conflict situation under the Country Development Strategy, FY 2001-2005. Recommendations of the two OTI members who participated in the first quarter FY 2003 Conflict Mitigation and Democracy Assessment include establishing an 18-24-month, SWIFT-implemented program that would be operated utilizing field offices in the North, East and deep South. This decentralized approach will focus on support of fast, flexible, demand-driven interventions aimed at building peace constituencies, resolving conflict and reconciling differences both between and within regions.

Improve livelihoods and skills training (\$1,200,000 ESF). Demand-driven training is planned in the skilled trades required for the large-scale multi-lateral bank funded reconstruction activities; likely beneficiaries include youth, internally displaced persons (IDPs) and returnees, and war widows. Given the large percentage of farmer and fisher families among the war-affected and displaced, the program is expected to include quick disbursement of needed agricultural and fishing inputs.

Construct and repair small-scale infrastructure (\$300,000 ESF). Much of the infrastructure in the North, and to a lesser but still significant extent the East, has either been destroyed or is in disrepair. Roads, bridges, minor irrigation works, public buildings and private housing require renovation or rebuilding; existence of landmines continues to be a danger. In the deep South, areas of which remain among the most impoverished in the country, similar efforts will be required as a result of neglected infrastructure maintenance and forgone investment in new projects - the opportunity costs of war -- often to the detriment of youth. Communities will be actively engaged in priority setting, renovation and construction of small-scale infrastructure works that are shared benefits.

Build constituencies and strengthen institutions for peace (\$500,000 ESF). The program will identify and support organizations that cross ethnic/religious/class and other social and economic fault lines, both within and between regions. Immediate, short-term assistance will be needed to mitigate sources of potential conflict, particularly among potential spoilers of the process. Opportunities to strengthen capacity at the local level within the government, private sector and civil society - including media - will be explored as building blocks to long-term creation of a transparent and participatory framework for decision making, enforcement of legal and regulatory reforms and allocation of citizen services.

FY 2004 Program:

USAID assistance in helping Sri Lanka realize the benefits of peace will continue with implementation through the OTI program and complementary FY 2004 ESF activities targeted at, but not limited to the North, East and deep South. These will continue to provide immediate support to the peace process and to link directly with the Mission's medium-to-long term strategic objectives. Central to this approach will be the reality that peace must be perceived as equitably benefiting all Sri Lankans, and as such that USAID assistance must be conflict-sensitive.

Improve livelihoods and skills training (\$2,500,000 ESF). With lack of jobs a critical factor in creating social unrest, particularly among youth, the program will continue to provide private-sector driven, short-term skills training for vulnerable groups such as returning displaced persons and refugees, decommissioned soldiers, members of female-headed households and youth. Activities that promote enhancing livelihoods and productivity of farmers and fisherman in the North, East and deep South are expected to ensure that the "peace dividend" is tangible to all. Possible projects include encouraging cultivation of high-value, environmentally friendly crops, and freshwater fish farming. Further training in the skilled trades required for post-conflict reconstruction could also be provided.

Construct and repair small-scale infrastructure (\$1,000,000 ESF). Support to enable war-affected members of society rebuild their lives and (re)integrate into communities is slated to continue based on identified needs and coverage of other donor programs. Such assistance could help families displaced by the conflict and other war-affected persons to rebuild their homes, obtain access to credit and public services, and (re)integrate into former or newly adopted communities.

Build constituencies and strengthen institutions for peace (\$2,500,000 ESF). USAID will continue to support and assist community efforts and exchanges among multi-ethnic private sector, local government organizations, and civil society - including the media -- aimed at peacebuilding and reconciliation of divided communities. This is expected to include communication and skills exchanges among ethnically mixed or previously divided communities; training and activities for youth involving computer technology, English and entrepreneurial skills will be emphasized.

Performance and Results: The primary objective of using this fast, flexible mechanism is to demonstrate tangible benefits that can result from peace in a way that is real to ordinary Sri Lankans. Given that peace talks have raised expectations, there remains a window of opportunity to show - particularly to people in communities most affected by conflict and poverty -- how peace will change their lives for the better.

Successful completion of this program will build constituencies for peace through visible, demand-driven activities - particularly greater training opportunities that lead to jobs and local small-scale infrastructure with shared benefits, such as refurbished schools and health clinics, newly built community centers, sports fields and recreation programs. Furthermore, activities involving the private sector and civic associations will help establish greater understanding and shared experiences among diverse individuals and communities.

Principal Contractors, Grantees, or Agencies: TBD

US Financing in Thousands of Dollars

Sri Lanka

383-YYY Transition Initiatives	ESF
Through September 30, 2001	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2002	
Obligations	0
Expenditures	0
Through September 30, 2002	
Obligations	0
Expenditures	0
Unliquidated	0
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	2,000
Total Planned Fiscal Year 2003	
Obligations	2,000
Proposed Fiscal Year 2004 NOA	
Obligations	6,000
Future Obligations	0
Est. Total Cost	8,000