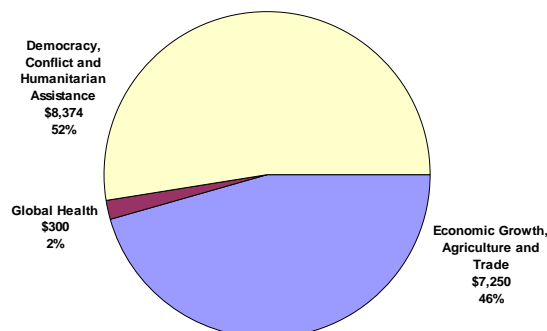
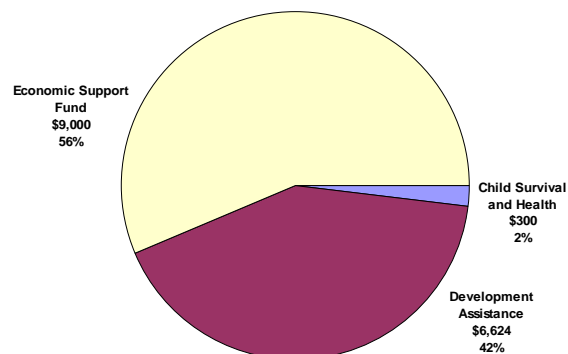


Sri Lanka

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

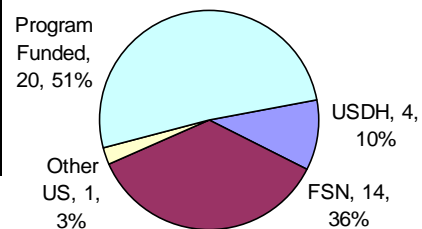
Objective	SO Number	FY 2004	FY 2005	FY 2006
Supporting the Benefits of Peace	383-006	5,429	2,750	3,000
Humanitarian Assistance	383-007	1,800	1,550	900
Economic Growth	383-008	5,750	7,670	7,250
Democracy and Governance	383-009	4,000	5,024	4,774
Total (in thousands of dollars)		16,979	16,994	15,924

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,112	1,296	1,446
USDH Salaries & Benefits	310	571	583
Program Funds	1,119	1,588	1,838
Total (in thousands of dollars)	2,541	3,455	3,867

FY 2006 Workforce



Mission Director: Carol Becker

Sri Lanka

The Development Challenge: Sri Lanka is struggling to recover from two decades of armed conflict and will now have to confront the challenge of recovering from the Tsunami calamity of December 26, which flooded coastal areas and wiped away communities along the south and east coasts of the island nation. As of January 26, 2005, official death toll estimates in Sri Lanka are 38,195 dead and 504,440 displaced. In the affected areas, economic life has ground to a halt, and businesses have collapsed. Millions of people have seen their families and communities torn apart. USAID is presently developing a strategy for long-term recovery and reconstruction to address the impact of the Tsunami in Sri Lanka.

USAID/Sri Lanka's program before the Tsunami focused on the opportunities presented by the February 2002 ceasefire agreement between the Government of Sri Lanka (GSL) and the separatist Liberation Tigers of Tamil Eelam (LTTE). Now, along with ongoing activities to support the peace process, foster economic growth and civil society participation, and provide physical and psychological rehabilitation for those affected by the war, the Mission will need to undertake a range of recovery and reconstruction activities.

FY 2004 was a tumultuous year. The President's decision to dissolve Parliament and call for elections in April 2004 resulted in a new government with a different political and economic focus. It brought into power the President's party with the neo-Marxist and Sinhalese nationalist Janatha Vimukthi Peramuna (JVP) as a key Alliance partner. JVP support plus "crossovers" resulting from concessions made to members of opposition parties gave the Alliance a Parliamentary majority. The new Government has shifted focus from an export-led market economy to rural development in order to address regional income disparities.

The peace talks have been on hold since they were suspended in April 2003. The JVP is opposed to the LTTE's proposal for an Interim Self Governing Authority (ISGA), while the LTTE views the ISGA as the basis for resuming formal peace talks. Although the President made a commitment to restart talks with the LTTE, she has yet to find a compromise that will satisfy both her Alliance partner and the LTTE. Progress in the peace process was a condition set by the international community for the disbursement of the development assistance portion of the \$4.5 billion pledged at the June 2003 Tokyo Conference on Reconstruction and Development. The failure to resume peace talks slowed development activities in the conflict-affected regions of North and East Sri Lanka.

U.S. Interests and Goals: U.S. national interests in Sri Lanka include supporting a negotiated settlement to the conflict, improving democratic institutions and processes, promoting respect for human rights, and enhancing economic growth through market-oriented policy reform and financial stability. By helping resolve Sri Lanka's internal war, the United States contributes to regional stability and the global war on terrorism. Sri Lanka is also a Millennium Challenge Account eligible country that has submitted a concept paper focusing on integrated rural development.

The USAID Program: USAID and the Office of Transition Initiatives (OTI) jointly fund a program that bolsters public support for a negotiated peace settlement. The field presence, relentless pace, and effective outreach of OTI's program helped restore the Mission's high profile among Sri Lankans and other donors. USAID's contribution to peacebuilding was further maximized by the synergies created between the OTI program and the Democracy and Governance Peace Support Project. For example, USAID built on a teledrama with a peaceful coexistence theme by supporting the creation of a movie version. Grants were provided for small-scale infrastructure, livelihoods, conflict mitigation, and information.

The democracy and governance program focuses on sustaining a multistakeholder peacebuilding process that supports Sri Lanka's transition to peace. The USAID-funded teledrama, "Take this Road," chronicled the impact of the war on three families - Muslim, Sinhalese, and Tamil. The program aired on national television and enjoyed wide viewership. The "One Text Initiative," funded through USAID's Sri Lanka Peace Support Project, provides a multipartisan dialogue for Sinhalese, Tamil, and Muslim political stakeholders in the peace process. All the major political parties in the country are participating or

have agreed to participate in this dialogue. No other donor in Sri Lanka has been able to establish a similar initiative with all stakeholders.

Three achievements in the humanitarian assistance sector stand out this year, all under the Disability Support Project (DSP): all four partner rehabilitation centers began producing prosthetics (artificial limbs) and orthotics (braces) made from materials which meet international quality standards - a first for Sri Lanka; the DSP completed the design phase for greatly improved hand and motor powered wheelchairs and tricycles; and USAID's local partners can now independently design, construct, and distribute high-quality assistance devices that meet the needs of disabled clients.

The economic growth program provided technical assistance to the government and private sector, promoted business education for youth, and strengthened Sri Lanka's participation in regional energy and environment issues, including the development of initiatives in coastal and environmental tourism. The Competitiveness Program continued to assist eight export industry clusters - tea, rubber, spices, coir, gems and jewelry, ceramics, information and communication technology, and tourism. One example of a success is in the gem and jewelry sector. During 2004, an international jewelry designer submitted designs for a new line of sapphire jewelry. Fabrications of these designs for buyers' shows are now being produced in Sri Lanka.

Gender Implications: Gender concerns are integrated into USAID's assistance strategy. USAID's humanitarian assistance programs stress participation by women in all aspects of the disability program. To address gender imbalances among the specialists who provide services to disabled beneficiaries, 50% of all trainees sent for long-term training have been women. Under the OTI program, gender impact is factored into all discussions with potential grantees. The democracy and governance program encourages participation by women and women's organizations in stakeholder dialogues on the peace process. USAID's competitiveness program includes women entrepreneurs as key beneficiaries. In FY 2004, 17% (341 of 2000) of the trainees were female professionals and managers, e.g., from the rubber and ceramics industries.

Conflict-sensitive Programming: The decision in FY 2002 to reverse a Mission closeout plan and increase USAID's presence was a response to changing dynamics in the protracted conflict and associated opportunities for U.S. Government assistance. The Conflict Vulnerability Assessment conducted in November 2002 led to the subsequent revised Country Development Strategy for 2003-2007. The revised strategy included the new OTI program, as well as redesigned programs under democracy and governance and humanitarian assistance. The aim of the new strategy is to address the underlying causes and consequences of the protracted conflict.

Other Program Elements: Full results from the Sri Lanka country program for the US-Asia Environmental Partnership (US-AEP) are presented in US-AEP's Annual Report. Especially notable is the award of two Global Development Alliance grants, facilitated by US-AEP activity, leveraging existing USAID investments through the Mission's Competitiveness Program and US-AEP.

Other Donors: In a show of support for the peace process in Sri Lanka, the international financial institutions and bilateral donors pledged \$4.5 billion in development assistance at the Tokyo donor conference in June 2003, for the period 2003-2006. Japan and the Asian Development Bank are the two largest contributors in Sri Lanka, pledging \$1 billion each for projects related to reconstruction, transportation, and power sector reform. The International Monetary Fund and the World Bank are providing multi-year loans supportive of the GSL's Poverty Reduction Strategy Paper.

Sri Lanka PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2003 Actual	FY 2004 Actual	FY 2005 Current	FY 2006 Request
Child Survival and Health Programs Fund	300	300	300	300
Development Assistance	6,150	4,750	6,774	6,624
Economic Support Fund	3,950	11,929	9,920	9,000
PL 480 Title II	596	4,190	0	0
Total Program Funds	10,996	21,169	16,994	15,924

STRATEGIC OBJECTIVE SUMMARY

383-003 Humanitarian Assistance				
CSH	300	0	0	0
DA	400	0	0	0
383-004 Competitiveness				
DA	4,000	0	0	0
ESF	2,000	0	0	0
383-005 Democracy and Governance				
DA	1,500	0	0	0
383-006 Supporting the Benefits of Peace				
ESF	0	5,429	2,750	3,000
383-007 Humanitarian Assistance				
CSH	0	300	300	300
DA	0	500	500	600
ESF	0	1,000	750	0
383-008 Economic Growth				
DA	0	4,250	5,500	4,250
ESF	0	1,500	2,170	3,000
383-009 Democracy and Governance				
DA	0	0	774	1,774
ESF	0	4,000	4,250	3,000
383-XXX ANE Regional US-AEP				
DA	250	0	0	0
383-YYY Transition Initiatives				
ESF	1,950	0	0	0

Mission Director,
Carol Becker

Data Sheet

USAID Mission:	Sri Lanka
Program Title:	Supporting the Benefits of Peace
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	383-006
Status:	Continuing
Planned FY 2005 Obligation:	\$2,750,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2006 Obligation:	\$3,000,000 ESF
Year of Initial Obligation:	2003
Estimated Year of Final Obligation:	2006

Summary: USAID's Office of Transition Initiatives (OTI) program within the Special Objective (SpO) bolsters public support for a negotiated peace settlement through fast, flexible small grant support for community-based activities. These local initiatives deliver visible peace dividends, including small-scale infrastructure rehabilitation and livelihoods development; promote community-level conflict management and peaceful coexistence; and enhance the quality and exchange of peace-related information. Based on these objectives, OTI provides grants that support positive interaction among diverse groups, promote participatory decision making at the community level, improve livelihoods, and facilitate the flow of accurate information from multiple viewpoints.

In an effort to measure the micro- and macro-level impact of its small grants activities, OTI made a commitment to a more comprehensive monitoring and evaluation approach, setting the stage for the arrival in FY 2005 of a full-time monitoring and evaluation specialist. To ensure continued relevance in a fluid political environment, future directions for activities within the SpO are being informed by the midterm program assessment conducted in September 2004. Although USAID's overarching aim remains the same, the program has tightened its geographic focus to emphasize activities aimed at depth versus breadth. OTI will work with local media to amplify activity impact. The primary implementer for the SpO is Development Alternatives, Inc.; the subgrantees are numerous and vary over time. The SpO leverages regular USAID program funds with OTI Transition Initiatives funds to maximize impact at a critical juncture in the peace process. Following OTI's departure in March 2006, USAID/Sri Lanka will continue activities under this SpO.

Inputs, Outputs, Activities:

FY 2005 Program: Support Peace Processes (\$1,250,000 ESF). The SpO will remain focused on strengthening public support for a negotiated settlement to the conflict. Grants for short-term activities will assist local initiatives to mobilize constituencies for peace through media and advocacy campaigns, peace process information dissemination, and enhancing the impact of civil society's peacebuilding potential. The SpO will continue to maximize USAID's overall contribution to peacebuilding efforts by enhancing, extending, or filling gaps in activities under the Mission's Democracy and Governance Peace Support Program, which is implemented by the Academy for Educational Development (AED). Collaboration among key staff from both programs will be enhanced by a new Mission Program Officer. OTI's primary focus will remain on short-term activities with immediate impact to compliment AED's long-term capacity building efforts.

Illustrative activities include civil society media and advocacy campaigns; information dissemination to demystify key transition issues (through a variety of communication methods and media); mobilization of moderate voices among university faculty and students and other marginalized groups; and creating and enhancing channels of communication between the grassroots and national policymaking levels.

Address Conflict Transitional Issues (\$1,500,000 ESF). The SpO, through its fast and flexible small grants mechanism, will continue to seize critical windows of opportunity to preserve and strengthen democratic institutions and processes and to increase momentum for peaceful resolution of the conflict. In addition, OTI's retargeted strategy will focus on community improvement activities that promote

participation and collaboration among diverse groups at the local level, engage local media to amplify activity impact, and provide a national forum for local voices on key transition issues.

Resources dedicated to the SpO will facilitate broad-based partnerships and collaborative processes within a highly politicized society. Illustrative activities include community self-help projects, such as small-scale infrastructure rehabilitation and livelihoods support, that emphasize a participatory and collaborative approach; community-based dialogues on key transition issues; viewers' circles utilizing thematically appropriate content as a platform for discussion and debate; process-intensive cross-cultural exchanges involving people from politically significant communities; and training civil society groups in communication skills, tools, and platforms for advocacy on key transition issues.

FY 2006 Program: Support Peace Processes (\$1,000,000 ESF). Without a negotiated settlement between the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam, strengthening citizen support for a political solution to the conflict will remain an appropriate goal of the SpO. Under either scenario, small grants for short-term activities, implemented through OTI's in-kind assistance mechanism, will continue to support local initiatives to mobilize constituencies for peace through media and advocacy. These activities will also focus on information dissemination on key transition issues and enhancing the impact of civil society's peacebuilding potential. Illustrative activities include civil society media and advocacy campaigns; information dissemination to demystify key transition issues through a variety of communication methods and media; mobilization of moderate voices among university faculty and students and other marginalized groups; and creating and enhancing channels of communication between the grassroots and national policymaking levels.

Address Conflict Transitional Issues (\$2,000,000 ESF). In the event that a negotiated settlement is in place, this program area would grow in scope to support for the peace process. Under such a scenario, a major new effort would be required to increase awareness, understanding, and support for the political framework that is established. The need for community improvement activities involving participation and collaboration among diverse groups at the local level could increase substantially in the North and East.

Either in the aftermath or in the absence of a negotiated settlement, illustrative activities under this program area could encompass community self-help projects, including small-scale infrastructure rehabilitation and livelihoods support, that emphasize a participatory and collaborative approach. Activities could also include community-based dialogues on key transition issues; viewers' circles utilizing thematically appropriate content as a platform for discussion and debate; process-intensive cross-cultural exchanges involving people from politically significant communities; and training civil society groups in communication skills, tools, and platforms for advocacy on key transition issues.

Performance and Results: With Economic Support Funds alone, USAID supported 94 small grant activities during FY 2004 - representing \$2,234,435 in total assistance. Using Transition Initiatives funds, the program supported an additional 63 activities, representing \$1,482,453. The field presence, relentless pace, and effective outreach of OTI's activities within the SpO have restored the Mission's high profile among bilateral donors in Sri Lanka. The Embassy has both benefited from and contributed to USAID's success, taking advantage of OTI's knowledge of the circumstances on the ground, while contributing to the visibility of OTI's projects by participating in the openings of USAID-funded activities. OTI was able to amplify the impact of programming through consistent publicity, coupling national media coverage generated by the Embassy Public Affairs Office with OTI's strong relationships with reporters at the district level.

USAID's program will help maintain the political space for dialogue required to achieve a durable, negotiated solution to the conflict. In the event of a political settlement before the end of FY 2006, USAID and the SpO will play a significant role in catalyzing the kind of participatory, community-based decision making and resource allocation required for widespread ownership at the local level. In any case, the SpO will have played a vital role in making the Mission program more conflict-sensitive, responsive, and robust.

US Financing in Thousands of Dollars

Sri Lanka

383-006 Supporting the Benefits of Peace	ESF
Through September 30, 2003	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2004	
Obligations	5,429
Expenditures	0
Through September 30, 2004	
Obligations	5,429
Expenditures	0
Unliquidated	5,429
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2005 NOA	
Obligations	2,750
Total Planned Fiscal Year 2005	
Obligations	2,750
Proposed Fiscal Year 2006 NOA	
Obligations	3,000
Future Obligations	11,000
Est. Total Cost	22,179

Data Sheet

USAID Mission:	Sri Lanka
Program Title:	Humanitarian Assistance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	383-007
Status:	Continuing
Planned FY 2005 Obligation:	\$300,000 CSH; \$500,000 DA; \$750,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2006 Obligation:	\$300,000 CSH; \$600,000 DA
Year of Initial Obligation:	2004
Estimated Year of Final Obligation:	2007

Summary: The Humanitarian Assistance Strategic Objective (SO) promotes improved social and economic integration of disadvantaged groups, which include people with disabilities, children affected by armed conflict and societal violence, torture survivors and their families, and those affected by and living with HIV/AIDS. Through sound and sustainable management, this SO provided humanitarian services to strengthen the capacity of Sri Lankan organizations to meet the social service needs of these vulnerable populations.

Inputs, Outputs, Activities:

FY 2005 Program: Address Conflict Transitional Issues (\$400,000 DA, \$300,000 CSH). USAID, in conjunction with Motivation Charitable Trust, will finance the production of improved technology polypropylene prosthetics in four rehabilitation centers located in Galle, Kandy, Tangalle, and Jaffna. Improved production of orthotic devices will continue in two of the centers - Galle and Tangalle - in the latter part of FY 2005. USAID and Motivation Charitable Trust will also continue its training and development of professional services in each of the local partner organization centers. This emphasis will facilitate the development of a comprehensive set of rehabilitation services available to people with mobility disabilities.

The Disability Support Program (DSP) will enhance the capacity of Sri Lankan physical therapy assistants in methods of assessment, prescription, and fit for clients with mobility disabilities to ensure that the appropriate technology is used for their injury, ability, and living environment. USAID will also fund the expansion of the distribution network of locally manufactured wheelchairs. In addition, the Disability Support Program will continue to fund the final year of a three-year training for five Sri Lankan nationals at the Cambodia School for Prosthetics and Orthotics to become internationally certified prosthetists/orthotists.

USAID will award a three-year grant to fund psychosocial and rehabilitative services to young children and adolescents traumatized by war, conflict, and other threats including domestic and sexual abuse. USAID's partner will support resettlement and reintegration of displaced and conflict-affected children; support activities designed to protect children from domestic and community violence; and develop, test, and replicate alternatives to institutional care for orphaned and at-risk children.

Protect and Increase the Assets and Livelihoods of the Poor during Periods of Stress (\$100,000 DA). The USAID Disability Support Program, in conjunction with Motivation Charitable Trust will provide technical guidance to the Employer's Federation of Sri Lanka to organize four regional job fairs for the disabled. These fairs will provide opportunity and access to employment for Sri Lankans with physical disabilities. In addition, USAID and Motivation Charitable Trust will build on previous disability advocacy work and extend it to the community level.

Reduce Transmission and Impact of HIV/AIDS (\$750,000 ESF). The return of refugees from Southern India, particularly Tamil Nadu where HIV/AIDS prevalence is the highest in India, and the greater mobility of the population since the ceasefire have raised concerns about HIV/AIDS in Sri Lanka. During the first quarter of FY 2004, an assessment of the HIV/AIDS situation in Sri Lanka was conducted. There are

plans in FY 2005 to issue a request for proposals that address critical HIV/AIDS issues, including educational awareness and reducing the stigma and discrimination of those affected and their families.

FY 2006 Program: Address Conflict Transitional Issues (\$300,000 DA). During FY 2006, USAID will continue in-country training and mentorship for partner Sri Lankan disability organizations in prosthetics, orthotics, and wheelchair design and distribution. In addition, USAID and its implementing partner will expand training and capacity building among subgrantees and monitor the provision of targeted psychosocial and rehabilitative services to victims of torture and their families.

Protect and Increase the Assets and Livelihoods of the Poor during Periods of Stress (\$50,000 DA). USAID, in conjunction with Motivation Charitable Trust, will continue to expand employment placement activities for Sri Lankan nationals with physical disabilities. In addition, USAID and its partners will continue to support national policy and community-level advocacy for social and economic rights of the disabled.

Protect Human Rights and Access to Justice (\$300,000 CSH). USAID and its associated partner will continue advocacy activities to promote the reintegration of displaced children, protect children from domestic and community violence, and find alternatives to institutional care for orphaned and at-risk children. Subgrantees will help institute new methodologies and best practices among organizations targeting vulnerable children. In addition, USAID will increase advocacy activities designed to reduce the prevalence of torture.

Reduce Trafficking in Persons (\$250,000 DA). This activity will be designed in FY 2005. It is expected that USAID will support protection and rehabilitation of victims through shelters or other services.

Performance and Results: This SO promotes improved social and economic integration of disadvantaged groups, which include people with disabilities, children affected by armed conflict and societal violence, torture survivors and their families, and those affected by and living with HIV/AIDS. Through sound and sustainable management, this SO has provided humanitarian services to strengthen the capacity of Sri Lankan organizations to meet the social service needs of these vulnerable populations.

The USAID DSP achieved its primary objective in FY 2004 with all four partner rehabilitation centers implementing polypropylene prosthetics/orthotics production. Other DSP accomplishments include training on four modules of organizational capacity building for local partners, facility improvement and workshop refurbishment for several partner centers, and the incorporation of physical therapy as a standard component of rehabilitative services.

USAID/Sri Lanka's Displaced Children and Orphans' Fund program had a productive year. In the first quarter of FY 2004, USAID signed a one-year umbrella agreement with CARE to help three longstanding USAID partners provide psychosocial services to children and young people under the Support to Children Associated with Violence and Conflict Program. In addition, a revised request for proposals was sent out for a three-year grant for services to meet the physical and psychological rehabilitative needs of vulnerable children, as identified by the Displaced Children's and Orphan's Fund. The grant was recently awarded to Save the Children.

Following a field assessment led by a Leahy War Victims Fund/Victims of Torture Fund team in May 2004, the Psychosocial Support to Victims of Torture Program completed its design phase. A request for proposals was released in late FY 2004, and an award will be made and implementation will begin in the second quarter of 2005. The HIV/AIDS program was placed on hold during FY 2004 due to lack of funding. Pending funding for the design phase, a call for proposals will be issued in FY 2005.

USAID anticipates that at the end of the program, USAID will have improved the quality and increased access to critical services for targeted disadvantaged groups in Sri Lanka, including those disabled or affected by conflict, violence, or HIV/AIDS. Furthermore, local organizations will have the capacity to provide these services with minimal technical support.

US Financing in Thousands of Dollars

Sri Lanka

383-007 Humanitarian Assistance	CSH	DA	ESF
Through September 30, 2003			
Obligations	0	0	0
Expenditures	0	0	0
Unliquidated	0	0	0
Fiscal Year 2004			
Obligations	300	500	1,000
Expenditures	0	0	0
Through September 30, 2004			
Obligations	300	500	1,000
Expenditures	0	0	0
Unliquidated	300	500	1,000
Prior Year Unobligated Funds			
Obligations	0	0	0
Planned Fiscal Year 2005 NOA			
Obligations	300	500	750
Total Planned Fiscal Year 2005			
Obligations	300	500	750
Proposed Fiscal Year 2006 NOA			
Obligations	300	600	0
Future Obligations	1,650	5,150	300
Est. Total Cost	2,550	6,750	2,050

Data Sheet

USAID Mission:	Sri Lanka
Program Title:	Economic Growth
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	383-008
Status:	Continuing
Planned FY 2005 Obligation:	\$5,500,000 DA; \$2,170,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2006 Obligation:	\$4,250,000 DA; \$3,000,000 ESF
Year of Initial Obligation:	2001
Estimated Year of Final Obligation:	2007

Summary: USAID's program to increase Sri Lanka's ability to compete internationally provides technical assistance to the government and private sector; promotes business education for youth; strengthens Sri Lanka's participation in regional energy and environmental issues; supports new initiatives in coastal and environmental tourism; provides expert advice and training opportunities on monetary policy and statistical analysis and reporting; and extends access to information and communication technology (ICT) in rural areas.

Inputs, Outputs, Activities:

FY 2005 Program: Increased Participation in Global Trade and Investment (\$250,000 DA). USAID's advisors will continue to work with government and private sector organizations to strengthen trade capacity and promote greater foreign direct investment. An assessment of existing capacity to manage and direct Sri Lanka's trade program is scheduled for early 2005 and will serve as the benchmark against which future technical assistance and training efforts will be measured. Seminars, study tours, workshops, and other training opportunities will also be provided to improve understanding of economic activities and promote collaboration between the government and entities concerned with trade issues. Principal contractors include Nathan Associates, Inc., the Ceylon Chamber of Commerce, several regional chambers, the Ministry of Commerce and Trade, and the Ministry of Industry, Tourism and Investment Promotion.

Improve Economic Policy and Governance (\$250,000 DA, \$295,000 ESF). USAID will continue to support policy analysis and develop commodity competitiveness strategies for the Government of Sri Lanka (GSL) to assist them in forming policies to encourage private sector trade. An Industrial Development Policy will be drafted in mid-2005. The purpose is to assemble, under one framework, the policies, procedures, and regulatory requirements affecting Sri Lanka's principal export commodities. Principal contractors include Nathan Associates, Inc. and J.E. Austin.

Increase Private Sector Growth (\$3,500,000 DA). USAID will continue to support Sri Lanka's private sector by assisting eight commodity clusters - tea, rubber, spices, coir, gems and jewelry, ceramics, ICT, and tourism - in their transformation to operational independency. Assistance will be provided to build management capacities (trained personnel, administrative and financial management systems, fund raising capacity, and service delivery). The principal contractor is Nathan Associates, Inc.

Improve Quality of Workforce (\$1,500,000 DA, \$1,500,000 ESF). Based upon an analysis of the workforce, USAID's job skills enhancement pilot program in ceramics will be reinforced to meet the needs and expectations of the private sector. Additional pilots will be undertaken involving other industries of The Competitiveness Program (TCP) to expand and improve access to training and social infrastructure. Given the growing interest in the link between trade expansion and poverty reduction, attention will be given to the agricultural-based commodity clusters. Principal contractors include Nathan Associates, Inc. and J.E. Austin.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$375,000 ESF). USAID funding will provide technical support to increase cooperation on urban solid waste handling and

environmental and natural resource management, and to improve the management of the energy sector. Cooperation will reinforce linkages among universities and local government organizations, and between the United States and Sri Lanka. In addition, this cooperation will promote investment in commercial applications and provide cleaner, less expensive, and higher quality energy to business and industry. Principal contractors are Nexant, Inc. and Louis Berger, International.

FY 2006 Program: Improve Economic Policy and Governance (\$750,000 DA, \$250,000 ESF). USAID plans to maintain support for policy analysis and commodity competitiveness strategies. The Industrial Development Policy to be developed in mid-2005 will be submitted to the Cabinet of Sri Lanka for approval and will guide trade expansion and increase trade opportunities. Principal contractors include Nathan Associates, Inc. and J.E. Austin.

Increase Private Sector Growth (\$2,000,000 DA, \$1,500,000 ESF). The transition to full operational independence by the eight commodity clusters will have been completed, and the assistance to build management capacity will manifest in the greater diversity of funding sources supporting the cluster apex organizations. Continuing assistance provided by USAID will support an increased number of strategic marketing initiatives. The principal contractor is Nathan Associates, Inc.

Improve Quality of Workforce (\$1,500,000 DA, \$1,000,000 ESF). USAID will support the creation of a responsive workforce development program in order to increase successful matches between prospective employers and job seekers. The workforce skills program will bring public teaching institutions together with private sector employers to identify skill needs and form partnerships to address those needs. Crosscutting concerns such as English language proficiency, problem solving skills, and ICT competency will be foci for TCP's eight cluster areas. Principal contractors include Nathan Associates, Inc. and J.E. Austin.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$250,000 ESF). USAID will provide technical assistance to improve the management and operation of the energy sector - a critical factor for further economic growth in Sri Lanka. Technical assistance and enhanced technology, along with improved cooperation among the players involved in urban solid waste handling and environmental and natural resource management, will lead to improved quality of life indicators. The principal contractors are Nexant, Inc. and Louis Berger, International.

Performance and Results: The mainstay of USAID/Sri Lanka's economic growth program, the Competitiveness Program, remained on course during the past twelve months, weathering the crisis in government in November 2004 and the subsequent change in government leadership. Bolstered by a recently approved USAID Country Strategy, the Economic Growth program has withstood the scrutiny of Sri Lanka's new administration, which recently turned to the program for technical assistance and guidance. A request by the Ministry of Finance for assistance in developing a new poverty reduction strategy has strengthened the Ministry's analytical and reporting capability and helped frame the priorities in the national budget. A similar request for assistance in drafting an industrial development policy bodes well for the job and export-oriented growth targets planned for 2005 and beyond.

Given the significant achievements in production and marketing, the Mission will increasingly focus investments on "soft" economic growth activities that need support, i.e. the youth-oriented business education initiative and the workforce development program, which are medium- to long- term endeavors. Continued progress will significantly increase global competitiveness of selected industries, create the economic climate necessary to attract foreign direct investment, and build the human capital basis for sustainable private sector-led growth. The principal contractors are Nathan Associates, Inc. and J.E. Austin Associates.

US Financing in Thousands of Dollars

Sri Lanka

	DA	ESF
383-008 Economic Growth		
Through September 30, 2003		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2004		
Obligations	4,250	1,500
Expenditures	0	0
Through September 30, 2004		
Obligations	4,250	1,500
Expenditures	0	0
Unliquidated	4,250	1,500
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2005 NOA		
Obligations	5,500	2,170
Total Planned Fiscal Year 2005		
Obligations	5,500	2,170
Proposed Fiscal Year 2006 NOA		
Obligations	4,250	3,000
Future Obligations	10,250	12,100
Est. Total Cost	24,250	18,770

Data Sheet

USAID Mission:	Sri Lanka
Program Title:	Democracy and Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	383-009
Status:	Continuing
Planned FY 2005 Obligation:	\$774,000 DA; \$4,250,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2006 Obligation:	\$1,774,000 DA; \$3,000,000 ESF
Year of Initial Obligation:	2003
Estimated Year of Final Obligation:	2007

Summary: The Democracy and Governance Strategic Objective (SO) supports the establishment of a stable post-conflict society and will create structures and develop the capacity for citizen engagement in the peace process. An integrated, multitrack peace structure will be supported through training and technical assistance to government institutions, political parties, and civil society organizations. This effort will establish a channel for national collaboration between local communities and negotiators. USAID's work to enhance citizen participation and strengthen provincial and local government is building the capacity of institutions that have an important role in garnering support for devolution - an essential element of a future federal system. This SO will support effective and participatory delivery of services in multiethnic communities. Promoting the nonviolent resolution of disputes is an important tool in the conflict-affected areas, while support for community mediation will address challenges to reintegrating communities in the North and East of the country.

Inputs, Outputs, Activities:

FY 2005 Program: Support Peace Processes (\$774,000 DA, \$2,250,000 ESF). USAID will support 48 multistakeholder political dialogues on the peace process. Four civil society organizations will establish community-based forums in 48 locations, with quarterly meetings held in each location. The community forums will recommend programs for peacebuilding and conflict mapping which will be funded through a small grants program. The third national survey on public knowledge, attitudes, and perceptions on the peace process will be implemented. A second television series on the human cost of the conflict will be produced and aired on national television and will be used as an awareness-raising and educational tool for peacebuilding. Principal contractors, grantees, and agencies include Academy for Educational Development (AED), Social Indicators (with funding from the United Kingdom), Foundation for Co-existence, National Peace Council, Sarvodaya, and the Anti-War Front (with funding from Denmark and Canada).

Support Democratic Local Government and Decentralization (\$2,000,000 ESF). USAID/Sri Lanka will implement a new initiative to strengthen local government; enhance the capacity of political parties and elected officials to engage grassroots organizations; support a community mediation board; and train paralegals to empower vulnerable groups to assert their rights. USAID will provide technical assistance to five local authorities across two provinces to modernize financial systems and revenue collection, and encourage participatory decision making and improved service delivery. The SO will also support two Sri Lankan policy research institutions to engage with political party workers and elected officials to generate cross-party support on issue-based reforms. USAID will support the Ministry of Justice to develop a contingent of mediation trainers along with Tamil language training materials to enable the program to expand into the North and East. A network of four national and five provincial nongovernmental organizations will establish paralegal training programs for community leaders across seven districts.

FY 2006 Program: Support Peace Processes (\$1,774,000 DA, \$1,500,000 ESF). The SO will continue to support 60 multistakeholder political dialogues on the peace process. Four civil society organizations will continue to support community based forums in the 48 locations established in FY 2005, with an additional 12 forums established in this financial year. The fourth national survey on public knowledge, attitudes, and perceptions on the peace process will be implemented. The third and final television series

on the human cost of the conflict will be produced and aired on national television. The series will continue to be used as an awareness-raising tool at community fora and in programs funded by other donors. Principal contractors, grantees and agencies include AED, Social Indicators, Foundation for Co-existence, National Peace Council, Sarvodaya, and the Anti-War Front.

Support Democratic Local Government and Decentralization (\$1,500,000 ESF). USAID will conduct an interim assessment on the results of technical assistance provided to five local authorities in FY 2005. Based on lessons learned, assistance will be expanded to support an additional five local government authorities across two provinces. The SO will provide support to political parties and elected officials at the local level to broaden support for issue-based reforms. USAID will establish a National Local Government network to promote best practices. USAID also plans to support the Ministry of Justice to establish community mediation programs in the North and East. The network of national and provincial nongovernmental organizations plans to expand the paralegal training programs for community leaders into additional districts across the country.

Performance and Results: To date, 53 grants were issued to civil society organizations, providing them with an integrated plan of support for a multistakeholder political dialogue. The SO also supported the capacity building of key institutions - the Ministry of Constitutional Affairs, the Government of Sri Lanka's Secretariat for Coordinating the Peace Process, and civil society organizations - in conflict analysis and communications. Sri Lanka social survey groups benefited from technical assistance to improve their design and analytical capabilities, and the results of the second national survey on the peace process were launched. The innovative use of information and communications technology enabled the political stakeholders to establish virtual forums for a multiparty dialogue on peace-related issues.

USAID's activities in this strategic objective allow the Government of Sri Lanka, the United National Party, the Tamil National Alliance, and the Sri Lanka Muslim Congress to participate in regular meetings on the peace process. However, two smaller Sinhala nationalist parties, seen as potential "spoilers" in the peace process, have agreed in principle to engage in these discussions but have yet to begin participating. USAID provides assistance to these political parties' researchers, encouraging contributions towards the development of a shared text on technical positions that can be used in the peace negotiations. This multiparty political forum known as "One Text" is the only facilitated dialogue in Sri Lanka in which all the major political parties, from all three ethnic groups, engage on the substantive issues of the peace process.

USAID implemented a pilot program of community meetings known as People's Tables in 17 districts. These community meetings, which are linked to the One Text Initiative, will form the basis for a broader grassroots engagement in the peace debate and establish a channel of communication between local communities and national politicians.

By program completion, Sri Lanka will have established an integrated multipartisan peace structure at the political, civil society, and grassroots levels, enhancing transparency and building support for the peaceful resolution of the conflict. The capacity of local government will be enhanced and best practices shared in a national network of local government bodies. Improved service delivery will demonstrate the benefits of devolved decision making and strengthen the implementation of decentralization or devolution of powers that will come about as a result of the peace process.

US Financing in Thousands of Dollars

Sri Lanka

383-009 Democracy and Governance	DA	ESF
Through September 30, 2003		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2004		
Obligations	0	4,000
Expenditures	0	0
Through September 30, 2004		
Obligations	0	4,000
Expenditures	0	0
Unliquidated	0	4,000
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2005 NOA		
Obligations	774	4,250
Total Planned Fiscal Year 2005		
Obligations	774	4,250
Proposed Fiscal Year 2006 NOA		
Obligations	1,774	3,000
Future Obligations	12,150	3,050
Est. Total Cost	14,698	14,300