

SOUTH ASIA

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Afghanistan
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	29,000	0	21,000
DA	10,701	0	150,000
ESF	17,250	0	150,000
ESF-SUP	88,000	0	0
FMF	7,256	0	150,000
FMF-SUP	50,000	0	0
IDA-ERF	146,000	0	0
IDA-SUP	40,000	0	0
IMET	0	0	600
INCLE	6,000	0	40,000
INCLE-SUP	60,000	0	0
NADR-ATA	1,434	0	10,400
NADR-ATA-ERF	15,000	0	0
NADR-ATA-SUP	20,000	0	0
NADR-EXBS	0	0	250
NADR-HD	4,000	0	8,300
NADR-HD-ERF	3,000	0	0
P.L. 480 Title II	84,355	0	0
P.L. 480 Title II-ERF	75,117	0	0
PKO	3,949	0	20,000
PKO-SUP	20,000	0	0
USAID OE-SUP	5,000	0	0

In 2004, U.S. leadership in Afghanistan will remain essential to achieving our national security objectives and regional stability in South Asia. National elections in June 2004 are expected to establish a permanent Afghan government under the Bonn Agreement amid expanding security and continued economic reconstruction. To ensure sustained progress and avoid the recurrence of conflict and terrorism, FY 2004 assistance will be used to establish security through a national military and national police force, including counter-terror and counter-narcotics components; establish broad-based and accountable governance through new democratic institutions and an active civil society; ensure a peace dividend for ordinary Afghans through economic reconstruction; and provide humanitarian assistance to sustain returning refugees and displaced persons. U.S. assistance will continue to be coordinated with the Afghan government, the United Nations, and other donors, including Japan, the European Union and Saudi Arabia.

President Bush committed the United States to take the lead in training and equipping the Afghan National Army (ANA) in support of our efforts to combat remaining Taliban and al-Qaida elements in Afghanistan and to help establish long-term security. The Afghan government lacks funding to replace destroyed infrastructure and to supply equipment, fuel, supplies, food and munitions for its military. While some requirements for training equipment have been filled by coalition donors and we are working to increase such assistance, sufficient equipment and infrastructure for anticipated numbers of trained ANA battalions have not been provided. FY 2004 Foreign Military Financing (FMF) is requested for Afghanistan to continue to support the training of new battalions and higher levels of training for those already established. As more battalions complete training, FY 2004 FMF will also be used to provide equipment and

infrastructure to sustain and make them fully operational, including through establishing intermediate headquarters capable of maneuvering, feeding, clothing and supplying each unit. Funds will also enhance logistics capabilities, provide for medical, communications, and other supplies, and support sustainment/maintenance of previously provided training and equipment.

As the number of trained ANA soldiers increases, FY 2004 Peacekeeping Operations (PKO) funds are requested for Afghanistan to help cover the costs of paying and training Army Training Command, General Staff and Service Support Command personnel, as well as additional ANA soldiers not projected to be paid with FY 2002 supplemental PKO. PKO may also assist with institutional support and sustainment costs associated with training and equipping the ANA. FY 2004 International Military Education and Training (IMET) funds are requested to assist the ANA to increase its professional and functional capabilities and, as the permanent government is established, to instill and maintain basic democratic values and protect human rights. Afghanistan will be eligible in FY 2004 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act.

In FY 2003, efforts will be ongoing to create a Presidential Protective Service designed to provide first echelon personal security for the Afghan president while the U.S. provides security as an interim measure. While we anticipate this first phase will be completed within one year, FY 2004 Non-proliferation, Anti-terrorism, Demining, and Related Programs Anti-terrorism Assistance (NADR/ATA) will be needed to provide any follow-on support and begin the sustainment phase. ATA will polish the newly created train-the-trainer program while also providing continuation training to advance the skills of the Afghan special agents. The comprehensive program will consist of two simultaneous phases of administrative and management plus advanced operational training. This training is designed to provide increased infrastructure and stability to the new service. In addition, ATA is prepared to provide counterterrorism-training packages from within its standard training program. The courses are primarily designed for senior police management and administrative personnel. FY 2004 NADR/Terrorist Interdiction Program (NADR/TIP) funding is requested to continue and sustain TIP installations at select points of entry so that border control officials can quickly identify and detain or track terrorists attempting to cross Afghanistan's borders. FY 2004 NADR Humanitarian 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 the Afghan non-governmental organizations.

Afghanistan faces a tremendous challenge in the law enforcement and narcotics sectors as the drug trade and crime threaten to undermine security, political stability and economic recovery. The resurgence of poppy cultivation in Afghanistan since September 11, 2001 has restored Afghanistan's first place ranking among the world's producers of opium. To help address this problem, FY 2004 International Narcotics Control and Law Enforcement (INCLE) funding is requested to build on FY 2002 and FY 2003 support for counternarcotics programs, broad law enforcement and judicial reform as part of a UK-led multinational effort to create effective and legitimate government institutions and restore stability. FY 2004 INCLE counternarcotics funds will be used to support the development of counternarcotics police, especially interdiction and investigative forces, and to provide assistance for alternative livelihoods. Vocational training also may be provided to generate income for vulnerable populations, such as women and tenant farmers. Funds may also be used to train and equip border guards in order to improve interdiction and cross-border cooperation. Counternarcotics funds will also build the capacity of the Counter-Narcotics Directorate, the drug policymaking branch of the Afghan National Security Council, and support demand reduction through public affairs projects and treatment centers.

In support of broader law enforcement, the FY 2004 INCLE police program will provide basic policing skills, human rights-based training and equipment for existing patrolmen that will support the Afghan goal of establishing a professional national police force. FY 2004 funds will continue the work begun with FY

2002 supplemental funds in Kabul, and will develop police capabilities and infrastructure in the provinces, complementing the German-led effort to build a strong officer and non-commissioned officer cadre. Key program elements will include developing and supporting a strong Afghan police trainer corps, expansion of the police identification card system, contribution of basic equipment and infrastructure needs for police, particularly in the provinces, and support for law enforcement requirements through the Afghan central budget. Finally, FY 2004 INCLE justice sector funding will help modernize criminal justice through training for judges and prosecutors on human rights, basic skills, and criminal procedure; support for the Ministry of Justice, Prosecutors Office, and the judicial commission on justice reform; and strengthening judicial capabilities in the provinces. Funds will also help develop professional standards and refurbish and equip a training facility for legal professionals in Kabul.

FY 2004 Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funding for the Export Control and Related Border Security Assistance (EXBS) program is requested to launch a program to assist Afghanistan in strengthening its export/border control system to prevent smuggling of items of proliferation concern. The EXBS program organizes expert-level exchanges addressing subjects such as legal/regulatory reform and customs enforcement. The 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.

In compliance with the December 2001 Bonn Agreement, Afghanistan convoked a representative Loya Jirga in June 2002 and selected a transitional government (the Transitional Islamic State of Afghanistan, or TISA) to replace the Afghan Interim Authority and preside over reconstruction, the drafting of a constitution, and preparations for national elections in June 2004. FY 2004 U.S. support for the Bonn Process aims to assist its culmination through establishment of a broad-based, effective and accountable government. FY 2004 Economic Support Fund (ESF) and Development Assistance (DA) funds are requested to assist preparations for the June 2004 national elections and provide training for newly elected officials. Funds will also support any remaining work to be done in the process of drafting and ratifying a new national constitution, promote human rights, and support ongoing efforts to rehabilitate and reform the civil service and justice sectors. ESF democracy assistance will also assist private, independent media and civil society, including nongovernmental organizations (NGOs), civic education and political parties. The Afghan government and the World Bank project continuing operational funding gaps between \$100 and \$150 million over the next several years. A portion of the FY 2004 ESF will also be used for budget support to keep the government operational as revenue-gathering capabilities are being established. Funds will support central budget requirements for civil service salaries, including police, and other operational expenses. FY 2004 ESF will also be used for reintegration of demobilized soldiers into the economy as the ANA is established.

Afghan refugees are expected to continue to return home in record numbers in 2004 with more than 1.5 million estimated. Along with reintegration assistance for some 3.5 million returns in 2002 and 2003, FY 2004 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 2004 emergency food aid requirements in Afghanistan will continue to be addressed by P.L. 480 Title II sources, as in FY 2003.

Approximately half of Afghanistan's 26.8 million people live in absolute poverty, and 50 percent of its people are unemployed. Virtually all of the country's institutions and much of its infrastructure has been destroyed. To help assure full implementation of stability in Afghanistan, the newly elected government must demonstrate a concrete economic "peace dividend" flowing from the Bonn Process. Afghanistan has suffered immense physical destruction. A significant portion of the FY 2004 ESF requested will be used to help rebuild Afghanistan's road network, including the Kabul-Kandahar-Herat road and other medium and

small-scale infrastructure projects, such as farm-to-market roads, tunnel and bridge repair, urban and rural water projects and sewage systems, and electrical power generation and distribution.

FY 2004 DA is requested for education, health, agriculture, democracy, human rights and economic growth activities. Agriculture and the rural economy provide a way of life for 80 percent of the Afghan population. FY 2004 DA is requested to help farmers re-establish production, become more profitable and efficient, and improve food security. The program also will build the capacity of private sector input dealers to meet demand through business and marketing skill development. The program will actively strengthen enterprise capacity to produce and process farm output, and effectively market value added processed products to consumers in regional and international markets. The program will focus intensively on a few (three to five) agricultural sub-sectors, with the objective of assisting those sub-sectors to achieve greater productivity, quality, and comparative advantages. Credit programs that meet critical needs for operating and investment capital will support production and processing activities. DA-funded rural economic growth programs include rehabilitating the irrigation sector and providing tools, agricultural equipment, fertilizer, improving access to markets through rehabilitating rural roads and bridges, livestock vaccines, seed for planting and establishing a credit facility to address the problem of Afghanistan's heavily indebted small farmers.

To address Afghanistan's 70 percent illiteracy rates in support of both economic development and political participation, FY 2004 DA funds will continue efforts to reach a goal of seeing that every child in the country has access to primary education (grades 1-6) through community-based school construction (targeting a significant amount of resources for school reconstruction in areas with low girls' enrollment where we hope to be able to maximize our investment), textbook production, classroom-based teacher training, and primary school equivalency/accelerated learning. A portion of FY 2004 DA will also support institutions of economic governance that will facilitate private sector growth and foreign investment, including the Ministry of Finance and a Central Bank that will mobilize resources for the government to become self-financing through transparent and accountable government structures and procedures. The program designed to facilitate maximum responsiveness to the emerging executive, legislative, and judicial governance structures in Afghanistan. In doing so, it will directly support the priority U.S. objective of promoting a rapid and sustainable reconstruction and recovery effort in Afghanistan and will improve the living conditions of its citizens.

Finally, 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 just 46 years. FY 2004 Child Survival and Health (CSH) funds are requested to expand the FY 2003 maternal child health project that is designed to bring primary health care services so that no one is more than four hours from medical attention. This activity 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 Public Health (MOPH), to develop a sustainable foundation for a nationwide health care system that will introduce concepts of cost recovery and privatization.

Bangladesh
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	39,950	33,700	32,000
DA	21,670	24,720	18,850
ESF	3,000	7,000	6,000
IMET	648	750	800
P.L. 480 Title II	23,974	45,083	45,445
Peace Corps	581	1,017	1,255

Continuing U.S. support for the consolidation of a moderate Islamic democracy in Bangladesh serves our interests in combating terrorism and promoting regional stability. In over a decade of democratic rule, Bangladesh has three times experienced a democratic change of power through free and fair national elections, most recently in October 2001. However, Bangladesh faces a chronic law and order problem stemming from political violence, along with significant economic challenges. Political divisions are strong. The lack of a viable role for the opposition has led to unrest in the streets, deepening political polarization into a major constraint on future development.

FY 2004 Development Assistance (DA) is requested to create a more literate and broad-minded society in this predominantly Muslim nation. Assistance will include efforts to increase early childhood development opportunities, promote innovative learning methodologies, and expand community involvement in schools. FY 2004 DA is also requested to support efforts to improve political processes, specifically through initiatives that enable opposition parties to play a constructive role in the Parliament and at the local government level. Ongoing support to active civil society organizations will promote human rights and rule of law, combat trafficking in persons and violence against women, advocate local government policy reforms and support the development of independent media. Bangladesh was recently ranked first on the Transparency International list of the world's most corrupt countries. A portion of the FY 2004 Economic Support Funds (ESF) requested will complement the aforementioned DA programs by providing anti-corruption assistance; supporting human rights efforts, civil society and parliament; and funding a children's project aimed at promoting tolerance and nonviolence.

Bangladesh remains one of the poorest and most populous countries in the world. On the economic side, FY 2004 DA will be targeted to high-impact programs. A portion of FY 2004 DA will be used to identify key challenges to small business development and will provide targeted support in ways that can help diversify Bangladesh's export sector, including new initiatives to support the promising information technology sub-sector. These efforts are extremely important, given economic dislocation expected to disproportionately affect Muslim women in rural areas following the end of U.S. garment quotas on January 1, 2005.

Bangladesh has rich natural gas reserves that could allow it to become a regional energy hub, earn hard currency to contribute to national development, and provide a cleaner alternative to other fuels. U.S. assistance will help Bangladesh develop this resource and has already helped provide investment and export opportunities for American firms. A portion of the FY 2004 DA will be used in the energy sector to continue efforts to promote rural electrification and support long-overdue reforms in the power and gas sectors. FY 2004 ESF will complement these efforts by supporting reform and privatization pilot initiatives in the energy and financial sectors.

To address Bangladesh's environmental challenges, FY 2004 DA will enable an expanded community management approach to the conservation of open water tropical forest resources and protection of biodiversity in Bangladesh's fragile and overpopulated ecosystem. A portion of the FY 2004 ESF will also be used to help map and alleviate the problem of arsenic contamination of well water in Bangladesh, which affects as many as 28 million people, and to research arsenic's impact on the food chain.

Finally, FY 2004 DA will provide limited support to the central Government's food security policy to help ensure that it meets social safety net objectives while remaining market-sensitive, and will allow continued support to nongovernmental organizations in disaster mitigation and humanitarian response, targeting both rural and urban poor. FY 2004 Child Survival and Health (CSH) funds are requested to help provide basic health services to Bangladesh's women and children, including family planning, HIV/AIDS programs, and health-related programs such as a polio eradication campaign.

An apolitical military is essential to strengthening Bangladesh's fragile democracy. FY 2004 International Military Education and Training (IMET) funds requested will continue supporting the professional development of military officers who respect civilian rule of law and will wield influence in shaping their respective services. By ensuring adequate security, the Bangladesh Army played a key role in creating an enabling environment for internationally-recognized free and fair elections in October 2001. FY 2004 IMET funds will be used to further develop the peacekeeping skills of the Bangladesh Armed Forces -- the world's largest contributor to international peacekeeping operation -- by increasing the number of U.S.-trained officers who will, upon their return, serve as instructors at Bangladesh's regional Peacekeeping Center. IMET will also be used to increase the number of officers attending specialized training in U.S. military schools to enhance interoperability of U.S. and Bangladeshi forces during international peacekeeping, humanitarian assistance, and search and rescue operations. Bangladesh will be eligible in FY 2004 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act.

India
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	41,678	40,785	40,800
DA	29,200	34,400	27,100
ESF	7,000	25,000	20,000
FMF	0	50,000	5,000
IMET	1,012	1,000	1,250
NADR-EXBS	800	1,750	1,000
P.L. 480 Title II	93,679	91,288	45,000

The United States is transforming its bilateral relationship with India, an emerging global power that has provided crucial support for the war on terrorism. India and the United States also share a commitment to the global spread of democracy. We seek a greatly expanded and highly visible partnership with India on multiple strategic and programmatic fronts, and will continue the further expansion of our military, political, and economic relationships through a joint Defense Planning Group and high profile dialogues on economic issues, strengthening export controls, and important international issues.

FY 2004 economic assistance to India will contribute to the transformation of the bilateral relationship in several key ways. Such programs are, first of all, an effort to ensure that the economic aspect of the relationship moves forward with the same vigor as other elements. These programs also demonstrate continuing American commitment to meeting the important daily needs of India's -- and some of the world's -- poorest and most vulnerable people, including women and Muslims. Finally, U.S. assistance promotes economic reform and growth in those areas where U.S. enterprises are well positioned to compete, notably in the areas of power generation and distribution. The programs that follow are long-term programs aimed at deeply rooted problems. Given India's size, they will operate initially in a limited number of localities before expanding their scope.

FY 2004 Economic Support Fund (ESF) is requested for a new economic initiative designed to impact the lives of ordinary Indians and address key causes of civil unrest. First, a finance for investment component will support state fiscal reforms to reduce ballooning deficits that restrict social sector funding. Funds will be used to upgrade staff skills, improve management systems, stimulate public demand for improved service, and disseminate best investment practices. Concurrently, new capital markets that can fund infrastructure investments and attract direct foreign investment will be deepened and regulated. Second, a disaster management initiative will improve national, state, and local systems to prepare for and to respond to costly natural or man-made disasters by installing cutting-edge disaster management systems and equipment. Third, an infrastructure for growth component will support power sector distribution reform, as well as water and urban infrastructure finance and reforms that open infrastructure to private investment, thereby increasing municipalities' access to India's capital markets, improving cost recovery and extending sustainable, quality services. Finally, an education and opportunity component focusing on women, minorities, and out-of-school youth will provide training to enhance livelihood options.

FY 2004 Development Assistance (DA) funds will support economic growth initiatives, including programs that aim to increase the capacity of financial markets, strengthen state level fiscal discipline, and help local and national governments raise and allocate resources. In addition, funds will support efforts to improve power distribution, groundwater management, and urban water availability and sanitation 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 2004 Child Survival and Health (CSH) funds are

requested to increase the use of reproductive health services, prevent HIV/AIDS and other diseases, promote child survival, and improve access to and availability of TB treatment.

The Indian military is one of the largest in the world. It purchases equipment primarily from Russia, Israel, the UK and France. The United States is increasing its military cooperation with India through the joint Defense Planning Group. FY 2004 Foreign Military Financing (FMF) is requested to further promote cooperation and interoperability by encouraging Indian use of U.S. equipment, particularly in the key areas of counterterrorism and naval cooperation. This would include such items as high-tech surveillance and training/support equipment, ground sensors for use along the Line of Control, NBC decontamination equipment, and naval radars. FY 2004 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. Such funds would nurture the close partnership we are forming with India. India will be eligible in FY 2004 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act.

FY 2004 Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funding for the Export Control and Related Border Security Assistance (EXBS) program is requested to fund continuing activities to assist India in strengthening its export control system. These funds will build on currently scheduled expert-level exchanges addressing subjects such as legal/regulatory reform, licensing automation, and customs enforcement. The 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 2002 Actual	FY 2003 Request	FY 2004 Request
IMET	125	150	175

The Government of Maldives strongly supports the international war on terrorism, providing U.S. forces blanket over flight and ship clearances during Operation Enduring Freedom. Maldives is a moderate Islamic voice in the region and also supports U.S. positions in international fora. U.S. priorities in this small archipelago nation are to maintain stability by strengthening its democratic institutions, and to coordinate policies in international organizations, especially on such issues as drug trafficking, nonproliferation, international crime, terrorism, and the environment. Absent a U.S. mission in Maldives, engagement continues through regular diplomatic exchanges managed by the U.S. Embassy in Sri Lanka, through the International Military Education and Training (IMET) programs, and through South Asian regional programs.

FY 2004 IMET funds will support efforts to professionalize the Maldivian military, build positive military relations to enhance existing cooperation with the United States, particularly on the war on terrorism, and encourage more effective use of the Maldives' defense resources to promote greater self-reliance. IMET will also increase Maldivian military awareness of international human rights norms and proper civilian-military relations.

Nepal
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	20,000	20,449	18,500
DA	7,597	11,247	14,311
ESF	3,000	6,000	6,000
FMF	2,000	3,000	10,000
FMF-SUP	12,000	0	0
IMET	377	500	600
P.L. 480 Title II	2,352	0	0
Peace Corps	2,111	2,264	2,402

Nepal is struggling with the dual challenges of refining and institutionalizing a fragile young democracy, while at the same time fighting a bloody Maoist insurgency that has left over 6,400 people dead. Strengthening Nepal and its neighbors to prevail against the growing Maoist threat is key to achieving U.S. regional and bilateral goals, including preventing the spread of terror, enhancing regional stability, promoting moderate democratic rule, and protecting U.S. citizens engaged in travel and business in Nepal.

The Maoists' guerilla campaign employs widespread violence, torture, and kidnappings aimed at overthrowing the constitutionally established government. These insurgents now control at least seven government districts, have a significant presence in at least seventeen others, and have conducted violent activities in seventy-four of the country's seventy five districts. If left unchecked, the spreading conflict could provide a breeding ground for international terrorists and could threaten regional stability. By assisting the government to contain the insurgency, the United States can help show the Maoists that they cannot achieve their goals through violence and must negotiate.

Ordinary Nepalis have grown increasingly frustrated that the promise of the democratic reform of 1990 has not yet been translated into improvements in their lives, an underlying issue that has contributed to the Maoist insurgency. U.S. support for Nepal's counterinsurgency efforts employs a multi-track approach consisting of counter-terrorism 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. While further governance reforms and political unity are sorely needed, the most immediate threat to Nepal's stability is the Maoist terrorist insurgency. Instability in Nepal also threatens regional stability and has serious implications for India and China.

U.S. military assistance will be critical to helping the Government to prevail against the insurgents. FY 2004 Foreign Military Funding (FMF) is requested to provide the Government of Nepal with the tools it needs to re-establish sufficient security to carry out political, economic and development programs that provide a long-term solution to the conflict. Specifically, FY 2004 FMF will continue funding training and equipment programs begun in 2002 to improve the Royal Nepal Army's (RNA) ability to prevail against Maoist insurgents. These programs focus on the acquisition of body armor, communications gear, night vision goggles, perimeter protection, and small arms.

The United States has refocused its International Military Education and Training (IMET) program in Nepal to address the RNA's counterintelligence, civil affairs, psychological operations, special forces, medical, and logistics needs. FY 2004 IMET funds are requested to support training aimed at increasing these skills and professionalism of the military. Respect for human rights will be an integral component of all military training. Nepal will be eligible in FY 2004 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act.

The destabilizing insurgency, combined with rising government military expenditures, has dramatically hurt economic and political development and reforms. FY 2004 Economic Support Fund (ESF) is requested for urgent and high-impact assistance to address underlying causes of the Maoist insurgency. ESF will be used to generate income and job opportunities for the poor in order to provide hope for rural communities and address some of the grievances that the Maoists exploit. These programs will include labor-intensive, small infrastructure projects, as well as agricultural, micro-finance and small enterprise development activities. Based on emerging needs, ESF will also be used to assist victims of torture, returned and demobilized Maoist combatants, and internally displaced persons. On the justice side, ESF will support Nepali initiatives to provide accessible, affordable rule of law to the rural Nepalis by assisting local alternatives to the Maoists "Peoples' Courts," such as alternative dispute resolution. ESF will also support women's literacy, business development and rights, anti-trafficking in persons efforts, and selected election assistance programs. Finally, ESF will provide technical assistance to strengthen national strategic planning and implementation capacity to improve the government's transparency, accountability and effectiveness.

Development Assistance (DA) and Child Survival and Health (CSH) funds requested for FY 2004 will complement FY 2004 ESF funds as an integral part of our strategy to address the root causes of the insurrection, but these funds focus more on meeting Nepal's long-term development needs in response to the Maoist insurgency. FY 2004 DA will be used to expand market-led rural economic development in order to decrease rural poverty, thereby decreasing the appeal of the Maoists; foster policy reforms to remove administrative barriers that inhibit business expansion; improve democracy and governance (for example, by expanding rural access to justice, enhancing judicial strategic planning processes, strengthening of rule of law and justice systems and practices at all levels, increasing citizen participation, strengthening electoral processes, and other means); help attract private investment in hydropower development; and improve education.

Nepal's maternal mortality rate is one of the highest in the world, and child mortality is one of the highest in South Asia, but USAID has made significant gains addressing these problems. For example, through USAID-supported vitamin A supplementation and community-based treatment of child pneumonia cases, 50,000 child deaths are averted annually. More than 17 million Nepalis are vulnerable to malaria, Japanese encephalitis and Kala-azar. The USAID health program has an extensive presence in Nepal. However, essential health care services are severely impacted by the conflict. Additionally, a critical shortage of necessary equipment, supplies and commodities exists. FY 2004 CSH funds will help address problems by supporting crucial population, child survival, HIV/AIDS and infectious diseases, and micronutrient programs.

Pakistan
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	14,000	12,500	25,000
DA	10,000	37,500	50,000
ESF	9,500	200,000	200,000
ESF-ERF	600,000	0	0
ESF-SUP	15,000	0	0
FMF	0	50,000	75,000
FMF-SUP	75,000	0	0
IMET	894	1,000	1,250
INCLE	2,500	4,000	38,000
INCLE-ERF	73,000	0	0
INCLE-SUP	15,000	0	0
NADR-ATA	0	0	5,000
NADR-ATA-SUP	10,000	0	0
NADR-EXBS	100	0	1,000
P.L. 480 Title II	5,134	0	0
PKO-ERF	220,000	0	0

Developing and sustaining a strong U.S.-Pakistan relationship will remain critical to a successful U.S. regional strategy for South Asia, and indispensable to continued progress in the global war on terrorism. FY 2004 security assistance to Pakistan will enable continued cooperation with Operation Enduring Freedom (OEF) and will promote stability on its borders. Economic, development, and democratization assistance will promote reform and address the conditions that breed extremism by helping to stabilize the economy and strengthen social, political and economic institutions in ways visible to ordinary Pakistanis.

Improved border security and control in the regions of Pakistan adjoining Afghanistan is in the long-term interest of the United States, Pakistan and the region. FY 2004 Foreign Military Financing (FMF) funds are requested to help achieve our immediate OEF objectives of strengthening the military component of the border security apparatus. FMF will also prepare the way for the broader, long-term objective of reshaping and improving our global defense posture through better security cooperation with Pakistan as a friend, ally and strategic coalition partner. Fixed and rotary wing aerial transport, including C-130's and Cobra and Huey helicopters, are planned for FY 2003. FY 2004 funds will be used for communications, including air-ground radios, to enhance interoperability with the U.S. military, as well as P-3C aircraft for airborne surveillance for the navy to help track maritime smuggling of drugs and al-Qaida operatives. Funds may also be used to sustain and acquire additional U.S.-origin equipment and training, including fighter training, ground support equipment, and high mobility transport vehicles -- the types of systems required to enhance border security and control the influx of terrorists and other infiltrators.

FY 2004 International Narcotics and Law Enforcement (INCLE) funds are requested to improve the effectiveness of Pakistan's law enforcement efforts in three areas: border security, law enforcement development, and counternarcotics. FY 2004 INCLE funds requested for border security will enhance the capacity of law enforcement agencies in Pakistan to secure the western border from terrorists, criminal elements, and narcotics traffickers. U.S. assistance will provide: ongoing support for rotary and fixed-wing aerial transport provided with FY 2001 Emergency Response Fund funds; and fund a new forward operating location in Peshawar that will reach into the North West Frontier Province (NWFP). INCLE will

also support greater cooperation among Pakistani entities on border security intelligence, provide vehicles, communications, surveillance and related equipment for border control, and may construct two or three new border entry facilities to expand border checks and reduce illegal activity.

FY 2004 INCLE funds for law enforcement development will provide technical assistance and training to develop strategic plans for law enforcement services and education; enhance infrastructure and capabilities of the provincial and national law enforcement academies; help to improve the criminal investigative capacities of provincial and federal level law enforcement personnel; equip forensics laboratories; and provide vehicles and communications equipment to link police at the local, provincial, and federal levels to law enforcement agencies not covered under the border security program. FY 2004 INCLE funds requested for the counternarcotics programs will be used to complete the Khyber road building project; to support the Pakistani Anti-Narcotics Force, including in the areas of opium poppy surveys and eradication; to assist the narcotics courts; to improve Pakistan Coast Guard and Maritime Security Agency capacity; and to support drug demand reduction programs.

The FY 2004 security assistance request for Pakistan includes International Military and Education Training (IMET) to promote military-to-military rapport, understanding, and mutual cooperation leading to increased rationalization, standardization, and general interoperability between Pakistan and the United States. IMET will also assist Pakistan to develop expertise and systems to manage its defense establishment effectively; 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. Pakistan will be eligible in FY 2004 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act.

FY 2004 Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funding for the Export Control and Related Border Security Assistance (EXBS) program is requested to fund activities to assist Pakistan in strengthening its export control system. The EXBS program organizes expert-level exchanges addressing subjects such as legal/regulatory reform, licensing automation, and customs enforcement. The 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.

In addition, the FY 2004 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.

On the economic side, FY 2004 Economic Support Fund (ESF) is requested to continue U.S. support for macro-economic stabilization in Pakistan. As evidenced through provision of economic support in 2002, such assistance effectively bolsters the government and leverages the popular support needed for continuing cooperation with OEF, and provides fiscal flexibility for the government to carry out economic and social reforms. FY 2004 ESF will be provided as budget support designed to encourage continued reforms in the education, economic, governance, and health sectors, multiplying the effectiveness of Development Assistance (DA)-funded programs in these areas.

To promote grassroots support for the government's reform efforts as well as U.S.-Pakistani cooperation in an environment fraught with extremist tensions and poverty, U.S. development programs in Pakistan are designed to provide tangible benefits for ordinary citizens. Education is key to improving Pakistan's economic and political development prospects amid poor literacy and low school enrollment and student retention rates, especially for girls. FY 2004 DA is requested for the ongoing \$100 million five-year U.S. education program begun in 2002 and complements the government's education sector reform program. U.S. funds will support non-governmental organization grants for primary school teacher training, curriculum development and modernization, and sustainability through community support. Adult and youth literacy education programs will target out-of-school youth and illiterate adult populations, with a focus on women and girls. DA projects will also create opportunities for the poor through expansion of micro-enterprise credit and business development support in poorer, rural regions as well as support to strengthen business associations and chambers of commerce.

Pakistan has a very high population growth rate, and 26 percent of children are moderately to severely underweight. FY 2004 Child Survival and Health (CSH) funds are requested to provide crucial maternal and child health and family planning services, including decentralized healthcare service delivery and HIV/AIDS awareness and education. These programs will be coordinated under a joint U.S.-Anglo health sector strategy focusing concrete U.S. projects at provincial and community levels, while the British Department for International Development (DFID) provides support to the federal and health and population welfare ministries.

Pakistan's national elections in October 2002 restored a civilian government at the national and provincial levels that over the next few years must prove more responsive and accountable than previous civilian governments or face the possible risk of yet another military intervention. Assistance provided by the United States and other donors will help strengthen both the demand and capacity for good governance. FY 2004 DA requested for the U.S. democracy and governance program will be used to strengthen the ability of communities to address local development problems jointly with their local, provincial and national elected officials and representatives. New leadership and accountability will be fostered in issue-based civil society organizations and political parties. U.S. programs will also support informed policy analysis in the national and provincial assemblies through training programs targeted particularly at the many junior women legislators elected for the first time, and by making the services of think tanks, consultants or university experts available to legislators to help them write better laws or hold the government accountable for programs and public expenditures. U.S. programs will also strengthen Pakistan's emerging private radio and television industries as well as public media, to assure both responsible news and public debate on the radio, and to provide journalists and the public with ample opportunity to monitor and debate the work of their elected representatives.

Sri Lanka
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	300	300	500
DA	5,150	5,750	5,000
ESF	3,000	4,000	14,000
FMF	0	0	1,000
IMET	259	350	500
NADR-HD	0	0	1,600
NADR-SALW	0	0	100
P.L. 480 Title II	1,325	0	0
PKO	0	0	1,000

Following nearly twenty years of civil conflict, the Foreign Terrorist Organization-designated Liberation Tigers of Tamil Eelam (LTTE) and the government of Sri Lanka embarked on historic peace talks in 2002. A peaceful resolution to Sri Lanka's ethnic conflict could provide a model for similarly conflicted countries in and near the region. The tasks of rebuilding the war-torn areas, integrating the North and East into the rest of the country, and achieving high rates of economic growth to sustain peace are enormous. FY 2004 assistance to Sri Lanka is designed to strengthen efforts to establish peace, alleviate economic damage and reintegrate the Tamil areas, and assist in the reconstruction of a secular, multi-ethnic state that can serve as an anchor of stability in a volatile region.

To promote the peace process, FY 2004 Economic Support Fund (ESF) is requested for immediate, high-impact programs across a range of sectors. Democracy programs will promote political reintegration through programs concentrated in the North and East. These include establishing local mediation boards administered by the Ministry of Justice; civic education; North-South youth exchanges; building local government capacity to provide services; and supporting peace secretariats at the provincial level that will coordinate community input and ensure government accountability with regard to implementing peace agreement obligations. National level democracy programs will include political party development, legislative strengthening, and constitutional reform. FY 2004 ESF-funded reconstruction and reconciliation programs will support, for example, skills and job training; restoration of forest products, fish and other traditional industries; micro-finance projects and shelter construction; and information technology (IT) youth linkages and IT training and employment opportunities. Funds will also support mine risk education and prosthetic rehabilitation; HIV/AIDS prevention and awareness; and psychosocial support for children and youth in conflict-affected areas, including through inter-ethnic camps, clubs and networks.

FY 2004 Development Assistance (DA) and FY 2004 Child Survival and Health (CSH) funds are requested for longer-term development programs. FY 2004 DA economic programs will concentrate on reforming vocational education and building strong public-private labor partnerships to increase responsiveness to private sector needs. Funds will also help boost agricultural productivity through reform, training, privatization, World Trade Organization compliance and restructuring to restore growth and expand employment and labor productivity. Finally, DA economic programs will support rationalizing basic financial effectiveness of a downsized government through a joint USAID - Treasury project; as well as reforming operations of the Customs Department.

Sri Lanka has a long democratic tradition, yet the important challenge of integrating the North and East following a formal agreement calls for sustained efforts in the political sector. FY 2004 DA for democracy will fund programs to establish a democratic culture and peaceful dispute resolution through civic

education, reduce the propensity for conflict among key groups, and expand access to legal aid for vulnerable groups. A community level related governance program will construct and repair small-scale infrastructure. Finally, FY 2004 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.

FY 2004 CSH programs will improve the nutritional status of children and adolescents in the North, East and the dry zones of the South; and will promote HIV/AIDS prevention and awareness among populations vulnerable through internal displacement, internal and out-labor migration, gender-based violence, and the absence of reproductive health education and services.

FY 2004 Foreign Military Financing (FMF) funds are requested for Sri Lanka to provide training, services, and equipment in connection with a long-overdue overhaul of its defense establishment. This may include, for example, improved night vision capability, search and rescue equipment, surveillance sensors, support for air transport, and spare parts. FY 2004 Peacekeeping Operations funds are requested to support transportation, equipment, and/or the continuation of any peacekeeping mission resulting from the peace settlement in Sri Lanka. FY 2004 International Military Education and Training (IMET) is requested to assist in modernizing the Sri Lanka military staff college to increase professionalism among the mid-ranking officer corps. The bulk of the FY 2004 IMET funds will enable 12-15 Sri Lankan mid-ranking officers to train in the United States and will send 40-50 members of Mobile Training Teams to Sri Lanka. Sri Lanka will be eligible in FY 2004 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act.

FY 2004 NADR Humanitarian Demining (NADR/HD) funds are requested to help reduce the humanitarian impact of landmines, to facilitate economic recovery and to support the reintegration of the North and South. FY 2004 NADR Small Arms and Light Weapons (NADR/SALW) destruction funds are also requested to assist with the demobilization efforts that will prevent the re-circulation of those weapons in the region.

South Asia Regional Funds
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	3,500	2,000	2,000

South Asia's FY 2004 regional Economic Support Funds (ESF) are requested for cross-border initiatives and higher-risk pilot projects less appropriately funded with bilateral ESF. These modest initiatives will be used to build cooperation, trust and regional synergies towards the goals of political and economic reform, conflict mitigation and post-conflict reconciliation. ESF funds will be programmed for projects involving more than one of South Asia's countries -- to include Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka -- in the following areas:

- promoting conflict mitigation and reconciliation including, if appropriate, projects in Kashmir that build confidence between divided communities through infrastructure (schools, clinics, minor road repairs), microenterprise, workshops or other projects;
- promoting democracy or human rights, including political party reform, anti-corruption initiatives, combating trafficking in persons, labor rights, and promoting international religious freedom;
- addressing cross-border environmental issues, including water quality, drought mitigation, air pollution, forest management or arsenic poisoning; and
- promoting regional and ethnic economic integration, including small business joint ventures, exploring economies of scale, or otherwise establishing or strengthening cross-border or inter-ethnic integration through shared economic activities.

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