

SOUTH ASIA

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Afghanistan
(\$ in thousands)

| Account | FY 2000 Actual | FY 2001 Estimate | FY 2002 Request |
|---------|----------------|------------------|-----------------|
| NADR-HD | 3,000 | 2,800 | 2,900 |

National Interests:

While ending the fighting among Afghan factions and bringing a political settlement to the conflict, including the establishment of a broad-based, representative government, is paramount, interim assistance to the Afghan people is essential to prevent starvation, the spread of disease, and total disruption of social services. Despite the USG opposition to Taliban policies, we continue to promote and contribute to UN and other international initiatives support for Afghan humanitarian needs and eventual reconstruction, including food and demining programs. Efforts to support non-warring Afghan groups and women's empowerment may be possible through the South Asian Regional Fund (see program page for description and funding request).

Objectives & Justification:

International efforts to provide humanitarian assistance to Afghanistan are coordinated by the UN Office for the Coordination of Humanitarian Assistance to Afghanistan (UNOCHA), created in 1988 to coordinate the work of UN agencies involved in Afghan relief and reconstruction thereby ensuring adequate, cost-effective, and non-duplicative UN programs in Afghanistan. Funding under the Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) account support humanitarian demining efforts, which seek to ensure the safety of innocents and restore land to productive economic use. NADR funds are provided either directly to UNOCHA or through non-governmental organizations (NGO's) working on mine clearance or mine awareness in Afghanistan. U.S. support for UNOCHA and NGO activities demonstrates our commitment to a multilateral, humanitarian assistance strategy for Afghanistan.

Bangladesh
(\$ in thousands)

| Account | FY 2000 Actual | FY 2001 Estimate | FY 2002 Request |
|-------------|----------------|------------------|-----------------|
| CSD | 14,836 | 15,500 | 14,500 |
| DA | 31,063 | 42,300 | 38,300 |
| ESF | 0 | 0 | 3,000 |
| IMET | 456 | 475 | 525 |
| Peace Corps | 977 | 1,088 | 1,194 |

National Interests:

Bangladesh's democracy, now over a decade old, has seen one peaceful transition of power in 1996 and is preparing for a parliamentary election to be held sometime before October 15, 2001. Bangladesh is one of the poorest and most densely populated countries in the world, yet it is pursuing economic reforms consistent with the aims of an emerging industrialized democracy. The U.S. has assisted Bangladesh in its development of a stable democracy. U.S. assistance has also helped provide investment and export opportunities for American firms, and helped to prevent humanitarian crises due to annual flooding. Bangladesh's natural gas reserves allow it the opportunity to become a regional energy hub, to earn hard currency to contribute to national development, and to provide a cleaner alternative to other fuels. Bangladesh's military now supports the country's democratic system and makes a leading contribution to global peacekeeping efforts.

Objectives & Justification:

While the government of Bangladesh has demonstrated its ability to hold free and fair elections, the opposition party and government generally refuse to cooperate or seek compromise. The U.S. government will continue to assist the government of Bangladesh in constructing a civil society and in preparing for free and fair elections. Where party politics often leads to immobilizing, country-wide strikes, ESF funded programs will assist in promoting parliamentary professionalism, including efforts to reduce partisan tension and clarifying MP roles and responsibilities.

In addition, funding will go toward a limited number of election reform and monitoring efforts, including training programs for election officials and party polling agents, as well as education programs for voters. Election rigging and violence often threaten to disrupt the democratic process in the region, programs that promote free and fair elections are crucial to legitimizing democratic transitions of power. ESF funds will be used to support programs that address public sector corruption and mismanagement in Bangladesh. Funds will also be used to promote reform of Bangladesh's judicial system to make it more efficient and transparent.

The U.S. Department of State, U.S. Agency for International Development (USAID) and the Department of Labor, through International Labor Organization (ILO) projects, coordinate efforts to assist worker education, organization, and monitoring of core labor standards, and to help eliminate child labor, especially in the garment factories producing for export. These

programs help women and girls to escape the vicious cycle of poverty and abusive work environments and to avoid being sold into prostitution and domestic servitude in Bangladesh and abroad. The United States will support efforts to educate villagers, to focus on prevention and to build the capacity of local NGO's to fight this scourge.

In order to help Bangladesh meet its World Trade Organization (WTO) commitments on intellectual property rights, technical barriers to trade, customs regulations, anti-dumping rules, and other regulatory changes, ESF will be used to provide technical assistance and training to relevant government entities.

A lack of general environmental awareness, degradation of productive ecosystems as a result of poor resource management, and demands by an expanding population have placed severe stress on the sustainable natural resources of Bangladesh. The United States will provide experienced advisors to assist communities in improving floodplain resource management in order to sustain open water fish production and improve conservation and management of tropical forest resources. Bangladesh also benefits from the use of South Asia ESF regional funds to support USAID's South Asian Regional Initiative for Energy.

Bangladesh could become in 2001 the world's largest contributor of troops to international peacekeeping operations. It has, with U.S. assistance, opened its own peacekeeping training center, and Bangladesh's military has become a firm supporter of democracy. Past IMET training programs contributed to this positive transition. Future IMET programs will further boost professionalism, enhance interoperability, improve performance, and enhance the military's ability to fight drug and arms smuggling. Bangladesh will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Bangladesh in meeting defense requirements, enacting reforms, and furthering interoperability. Bangladesh's fledgling Coast Guard is still in need of training and equipment to counter the growing threats of piracy and fish poaching and to respond to emergencies in the cyclone-prone Bay of Bengal.

USAID implements family planning and health and child survival activities aimed at reducing fertility and improving family planning. USAID will continue to emphasize polio eradication, as well as HIV/AIDS prevention for high-risk groups to contain its still limited incidence in Bangladesh. USAID support for economic growth activities will continue. These include improving the enabling environment for agribusiness, aquaculture, small and medium enterprises, and micro-finance as well as assisting individual entrepreneurs and businesses to improve their products, services, and market access. In the energy sector, USAID will continue its long-standing support for Bangladesh's rural power program while implementing new activities to foster deregulation of the power sector and development of the nascent natural gas sector. The PL 480 regular Title II program assists Bangladesh's poorest families, while other activities will ensure food availability through the government's safety net and promote policy changes to minimize the public sector's role in grain import. Democracy and Governance activities seek to strengthen civil society, local government, parliament, and human rights.

Peace Corps volunteers in Bangladesh are helping teachers to improve their English language proficiency; collaborating with UNICEF to train Bangladeshi teachers about the use and maintenance of donated computers, and addressing women's health issues.

India
(\$ in thousands)

| Account | FY 2000 Actual | FY 2001 Estimate | FY 2002 Request |
|----------|----------------|------------------|-----------------|
| CSD | 22,750 | 23,600 | 25,840 |
| DA | 28,700 | 29,950 | 32,710 |
| ESF | 0 | 4,983 | 7,000 |
| IMET | 480 | 500 | 650 |
| NADR-ECA | 285 | 637 | 900 |

National Interests:

The national interests guiding U.S. policy toward India include national security, economic prosperity, law enforcement, democracy and global issues. The United States supports the strengthening of democratic systems, respect for human rights, and the rule of law in India, the world's largest democracy and soon to be its most populous nation. India's unsettled relationship with Pakistan remains a concern, especially now that both have demonstrated possession of nuclear weapons. The Indo-U.S. bilateral relationship has been growing steadily in both the political and economic arenas, but there is still enormous untapped potential. India's government has begun to enact a "second generation" of economic reforms, and India is exploring how it will fit into the international trade regime. Economic growth, along with growing population, means that India will have an increasing impact on the world's economy and environment.

Objectives & Justification:

India tested nuclear devices in 1998 and tensions with Pakistan have remained high since the 1999 armed conflict along the Line of Control near Kargil. The United States is actively engaged in efforts to reduce regional tensions, help India and Pakistan address their disputes, and dissuade them from embarking on a nuclear arms race. The Indian military is a significant contributor to international peacekeeping efforts. IMET has played an important role in fostering U.S.-India military-to-military contacts and promoting shared goals. Increased IMET assistance will further develop important U.S.-Indian military relationships at a time when U.S. cooperation with India is expanding in a number of other areas.

Despite sanctions imposed in the wake of the nuclear tests, the United States is India's leading trading partner and source of foreign investment. We will continue to encourage the government of India to implement and expand market-oriented reforms, using both bilateral dialogue and the World Trade Organization (WTO), and to encourage India's responsible participation in the global marketplace. We will consider expanding ESF support to USAID's Financial Investment and Economic Reform (FIRE) program in India, which assists in improving the efficiency and transparency of the capital markets, insurance regulatory structures, and pension fund management, if conditions permit. Some resources could also be used to facilitate power sector reform.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR

Export Control and Related Border Security assistance funds for a cooperative program to help establish effective export controls in India. FY 2002 funding is focused primarily on helping India to enhance its legal and regulatory infrastructure and enforcement capabilities (including through the provision of equipment) consistent with international standards, and to promote productive government industry regulations.

Degradation of productive ecosystems and demands by an expanding population have placed severe stress on the sustainable natural resources of India. In FY 2002, we will also consider supporting an expanded dialogue with India on environmental issues critically impacting sustainable development such as biodiversity, water, desertification, forestry, marine resources, and environmental governance. India also benefits from the use of South Asia ESF regional funds to support USAID's South Asian Regional Initiative for Energy.

To further strengthen democratic institutions in India, the ESF will provide resources to train members of parliamentary committees, train journalists reporting on democratic systems, strengthen governance in three States and train women representatives. These funds will support legal advocacy for women and girls, skills development and educational opportunities. They will also support human rights and legal aid organizations in their efforts to protect the victims of violent conflict, strengthen governmental human rights institutions, and facilitate judicial reform.

Much needs to be done to alleviate the growing human rights problem of trafficking in women and children. ESF will be used to address this modern-day slavery in accordance with the South Asia Regional Strategy to Combat Trafficking in Women and Children. These funds will also support measures to address the widespread problem of child labor in India, helping women and girls to escape the vicious cycle of poverty and abusive work environments.

USAID will address the key areas of stabilizing population growth, cutting pollution in power generation and cities, reducing the transmission of HIV/AIDS and other infectious diseases, empowering women, accelerating economic growth and meeting the food needs of India's poorest populations. Other programs are designed to demonstrate educational and medical technologies and practices, train trade unions and employers about sexual harassment and HIV/AIDS prevention in the workplace, and eliminate child labor. The United States-Asia Environmental Partnership promotes a clean environmental revolution.

On counter-narcotics issues, U.S.-India cooperation continues to improve. The President fully certified India for narcotics cooperation in 2000, adding momentum to our relationship. We will continue to work with India to prevent the diversion of opium from its licit opium program and to build its capabilities to curb illicit drug production and trafficking.

Maldives
(\$ in thousands)

| Account | FY 2000 Actual | FY 2001 Estimate | FY 2002 Request |
|---------|----------------|------------------|-----------------|
| IMET | 100 | 110 | 125 |

National Interests:

The Maldives provides important access for U.S. vessels and allows aircraft transit rights (permitting U.S. access to its airport during the Gulf War, for example). The Maldives is also supportive of USG positions in international fora and is a moderate Islamic voice in the region. It is in the U.S. national security interest to maintain stability in this small archipelago nation by strengthening its democratic institutions and working with the Government of Maldives to coordinate policies in international organizations, especially on such issues of shared interest as drug trafficking, nonproliferation, and international crime and terrorism. Since we have no resident Mission in Maldives, we will continue to pursue our interests there through regular diplomatic exchanges managed by our embassy in Colombo, through our IMET training programs, and proposed program activity (please see section on Sri Lanka for proposed programs).

Objectives & Justification:

The U.S. IMET training program encourages more professionalism in the Maldives military, while promoting human rights as part of military training. We will foster increased awareness of human rights concerns, greater participation of citizens in the political and economic life of the country, and freedom of religion and the press through public diplomacy, proposed program activities channeled through Embassy Colombo, and the Department's International Visitor's program, as well as IMET training. In Maldives, ESF will be used to support programs designed to offer training and education opportunities to legislative staff and elected officials, and to assist human rights and legal aid organizations in their efforts to strengthen governmental human rights institutions.

Nepal
(\$ in thousands)

| Account | FY 2000 Actual | FY 2001 Estimate | FY 2002 Request |
|-------------|----------------|------------------|-----------------|
| CSD | 7,000 | 9,250 | 9,750 |
| DA | 9,900 | 11,300 | 10,300 |
| ESF | 0 | 0 | 3,000 |
| IMET | 216 | 220 | 225 |
| Peace Corps | 1,754 | 1,988 | 1,859 |

National Interests:

Nepal's progress in consolidating its young democratic institutions and achieving sustainable economic development supports the U.S. national interest of fostering democracy and prosperity around the globe, and contributes significantly to the U.S. interest of promoting regional security. Nepal also presents opportunities for the pursuit of important global U.S. interests, including: preserving the environment, slowing population growth, resolving refugee problems, promoting market-oriented economic development, engaging South Asian military forces in international peacekeeping, combating international crime and trafficking, and slowing the spread of infectious diseases. Protecting U.S. citizens and their interests abroad, and facilitating the legal entry of visiting foreign nationals, are also important national interests in our relations with Nepal.

Objectives & Justification:

In the face of severe poverty and Maoist insurgency, Nepal continues to make progress in consolidating its democratic institutions and practices. In FY 2002, Economic Support Funds (ESF) will support continued efforts to strengthen Nepal's democratic institutions, fight corruption, and promote the development of civil society through non-governmental organizations. Support for Nepali democracy contributes to stability and security in South Asia, and complements U.S.-Nepal cooperation on global issues. These programs are intended to support the continuation of democratic reforms in South Asia's newest democracy. They will promote training for development of effective anti-corruption mechanisms in the parliament and in the Constitutional Commission to Combat Abuse of Authority. Funded programs will also assist human rights groups, media-rights advocates, legal aid organizations, and other grassroots NGOs in efforts to promote democracy, protect victims of violent conflict, strengthen governmental human-rights institutions and facilitate judicial reform. ESF will also be used to promote civic education in Nepal and train women elected officials to increase their effectiveness in the democratic system.

In addition, ESF in Nepal will fund bilateral and regional activities to combat trafficking in women and children, particularly in the areas of protection and prosecution, law enforcement cooperation, development of effective legislation against trafficking, data collection, extradition of offenders, and repatriation of victims. ESF resources will also provide for access to legal advocacy, and provide skills development and educational opportunities for women. USAID assistance programs will also support training in basic literacy and business skills for women at risk of trafficking or repatriated from trafficking.

International Narcotics and Law Enforcement (INCLE) funds will be used to train Nepali police, customs, immigration, and other law-enforcement officials to become more professional in dealing with international crime issues; to strengthen the capabilities of Nepal's police units which focus on crimes against women and children; and to augment awareness and training in the law enforcement and legal communities regarding trafficking in women and children.

USG efforts will also help Nepal meet its targets to eliminate child labor per its agreement with the U.S. Department of Labor (DOL) under the "time-bound" program. DOL's program will be implemented in Nepal in conjunction with the International Labor Organization's (ILO) International Program to Eliminate Child Labor.

Degradation of productive ecosystems as a result of poor resource management and demands by an expanding population has placed severe stress on the sustainable natural resources of Nepal. ESF may be used to provide experienced advisors to assist communities in improving conservation and management of wilderness preserves. Nepal also benefits from the support of South Asia's regional ESF funds for USAID's South Asian Regional Initiative for regional energy cooperation.

Nepal remains one of South Asia's leading contributors to U.N. and U.S.-led peacekeeping missions in trouble spots around the globe. It operates a successful peacekeeping training center, which has received significant U.S. funding, and in January 2000, co-hosted a multinational peacekeeping exercise with the U.S. Army Pacific Command. In FY 2002, IMET funds will continue to enhance Nepal's considerable contributions to international peacekeeping. Nepal will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Nepal in meeting defense requirements, enacting defense reforms, and furthering interoperability.

In FY 2002, USAID will focus on Nepal's needs in health and family planning, hydropower development, and strengthening democratic processes to ensure the wise use and equitable distribution of wealth in the future. In the health sector, USAID supports nationwide vitamin A distribution for children; contraceptive purchasing and distribution; the training and deployment of community health workers; the control of infectious diseases including such vector borne diseases as malaria; public awareness campaigns aimed at HIV/AIDS prevention; training of rural women; and the development of birth preparedness packages to combat maternal deaths. In the hydropower sector, USAID will strengthen the Department of Electricity Development's institutional capacity to promote private sector development of hydropower. In addition, technical assistance will be provided to improve local capability to conduct and assess environmental and social impacts of proposed hydropower projects and increase public participation in these processes. In the democracy and governance sector, the U.S. will strengthen targeted natural resource user groups, advocate for women's rights, strengthen selected institutions, and prevent trafficking in girls.

Peace Corps volunteers in Nepal are engaged in the both the education and health sectors. Volunteers also work on the environment, with a focus on natural resource development through

community improvement, and to improve sanitation practices, access to potable water, basic urban services, village development planning, and youth development.

Pakistan
(\$ in thousands)

| Account | FY 2000 Actual | FY 2001 Estimate | FY 2002 Request |
|---------|----------------|------------------|-----------------|
| ESF | 0 | 0 | 7,000 |
| INC | 3,250 | 3,500 | 3,500 |

National Interests:

Pakistan faces severe civil, economic and political problems. We are encouraging and supporting a prompt return to democracy in Pakistan. We are also working with Pakistan to address regional stability, counter-terrorism, and nuclear non-proliferation. The military government that assumed power in a bloodless coup in October 1999 has shaken Pakistan's already weak democratic institutions. While the government is allowing for local elections as part of its plans to decentralize the government, it has not presented concrete plans for provincial and national elections, which the Pakistan Supreme Court has mandated occur before October 2002. Creeping religious extremism coupled with a vacuum in political activity continue to handicap the country's democratic development. The restoration and strengthening of civilian and democratic government are U.S. foreign policy priorities in Pakistan. They are priorities not only for human rights reasons, but because a representative and accountable government in Pakistan can best ensure the necessary economic reform and political stability to improve the quality of life and access to basic human rights of its citizens.

Efforts the Government of Pakistan has taken so far to restore democracy have prompted the United States and other countries to offer assistance to Pakistan for this transition. The United States has a clear interest in maintaining stability and promoting democratic values in a region where nuclear weapons have appeared and where political unrest could stymie any attempts at improving the quality of life in the region. The United States will continue to promote an easing of tensions between India and Pakistan, cooperation with Pakistan in counter-terrorism and counter-narcotics, and advancement of our nuclear non-proliferation objectives. We will also continue to work with Pakistan to address threats of terrorism and instability emanating from Afghanistan. Given the imposition of both non-proliferation and democracy-related sanctions against Pakistan, our tools for achieving these objectives are limited.

Objectives & Justification:

Maintaining and strengthening democracy in South Asia is one of our most challenging U.S. foreign policy objectives. While U.S. assistance to the Government of Pakistan is limited by sanctions, other programs can be used there to promote political party reform, and to improve the effectiveness and probity of civil institutions. ESF will be used to assist NGOs, the media, and community-based organizations to promote greater accountability and transparency in government and to build a culture of democracy in Pakistan, as well as to strengthen human rights organizations.

In FY 2001, the U.S. government received specific legislative authority to provide direct assistance to the Government of Pakistan in basic education. This authority was in response to the

grave state of the public education system and the belief that a poorly educated populace impedes economic development and more readily supports extremists. Given the weak state of Pakistan's political and civil society organization, we will work with the Pakistan government to become more responsive to the education needs of its citizens.

Recognizing the severe financial crisis in Pakistan, the IMF began negotiations to resume Pakistan's program of macroeconomic stabilization efforts and structural reforms. Pakistan is expected to adhere to a strict regime of economic reform and sound management. Stagnant economic growth coupled with the inability of the Musharraf government to provide social services to most of the country has most directly affected women and children. ESF resources will assist children -- especially girls -- gain access to basic and civic education in order to escape the vicious cycle of poverty and abusive work environments. Funds will also address violence against women and strive to increase women's political participation. ESF resources will also address the widespread problem of child labor in conjunction with the International Labor Organization's (ILO) International Program to Eliminate Child Labor. In addition, the ILO (with U.S. funding) will continue to implement a program begun last year to eliminate child laborers from the soccer ball industry. ILO also began in FY 2001 a multi-year program to reduce child labor in the hand-woven carpets' industry.

In counter-narcotics, the United States will work with the Government of Pakistan to complete the elimination of opium poppy cultivation in Pakistan and to integrate former poppy-growing areas into the national economy. Opium production and heroin processing dropped dramatically (68%) following increased U.S.-Pakistani cooperation on counter-narcotics last year. While Pakistan is no longer a source country of heroin, large quantities of opiates still transit Pakistan. The United States and Pakistan are working to reduce this drug flow, some of which comes to this country. U.S. assistance will build law enforcement capacities to prevent the re-emergence of heroin processing labs, improve drug interdiction efforts and seizures, increase narcotics-related arrests and convictions, freeze trafficker assets, and tighten money-laundering regulations.

Sri Lanka
(\$ in thousands)

| Account | FY 2000 Actual | FY 2001 Estimate | FY 2002 Request |
|---------|----------------|------------------|-----------------|
| CSD | 700 | 300 | 300 |
| DA | 3,650 | 3,000 | 3,000 |
| ESF | 0 | 0 | 3,000 |
| IMET | 203 | 245 | 275 |

National Interests:

Sri Lanka has a long tradition of democracy. It was the first country in South Asia to liberalize its economy and has impressive social indicators. The primary U.S. national interests in Sri Lanka are to sustain democracy-building, improvement of human rights, and economic growth through liberalization and investment. These goals not only reflect our humanitarian interest, but would also help facilitate an end to Sri Lanka's 18-year civil war, thereby reducing the threat of terrorism and improving regional stability. As of April 2001, the government and the Tamil insurgents are again moving toward peace talks that could provide an important opportunity for resolution of the conflict.

Objectives & Justification:

Sri Lanka's civil war has left an estimated 60,000 dead and a legacy of terrorism, human rights abuses, and around 600,000 internally displaced people. The war is a destabilizing element in the region and has had a detrimental impact on Sri Lanka's economy. The current government has taken some steps to reduce human rights abuses. Nonetheless, serious abuses continue, especially by the police. While Sri Lanka has a long democratic tradition, recent elections were marred by serious violence and fraud. Press censorship and intimidation is a serious problem.

Economic Support Funds (ESF) are key to our continued ability to strengthen human rights, peaceful conflict resolution and democracy in Sri Lanka, through the Human Rights Commission, electoral reform efforts, and programs to strengthen civil society. Assistance will also strengthen Sri Lanka's judiciary and other democratic institutions. The use of ESF in Sri Lanka will provide resources to assist NGOs, the media, and community-based organizations to promote greater accountability and transparency in government and to build a culture of democracy while trying to blunt the impact on children of the civil war. In addition, these funds will assist human rights and legal aid organizations in their efforts to protect the victims of violent conflict as well as to strengthen governmental human rights institutions.

USAID's democracy programs will continue to support efforts of the Sri Lankan Government and the NGO community to improve the protection of human rights and the ability of the judiciary to resolve complaints efficiently and effectively. USAID will extend humanitarian assistance through NGOs, to reach children and families most affected by the conflict and related violence in Sri Lanka to help them return to a normal life. USAID's economic-growth program will continue to provide technical assistance to industry clusters to improve their competitiveness,

and USAID will continue dialogue with the government on competitiveness issues facing Sri Lanka.

IMET, in concert with other military-military cooperation, including Joint Combined Exercise Training, contributes to the effectiveness of the Sri Lankan military in its fight against a designated terrorist organization, the Liberation Tigers of Tamil Eelam (LTTE). Our military cooperation with Sri Lanka has helped improve the Sri Lankan military's professionalism and sensitivity to humanitarian law, reducing civilian casualties and human rights abuses. Sri Lanka will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Sri Lanka in meeting defense requirements, enacting reforms, and furthering interoperability.

The United States will continue to provide Anti-Terrorism Assistance (ATA) training to help the Sri Lankan government to counter terrorist threats, especially in urban areas. Although the LTTE declared a unilateral cease-fire in late 2000, the risk of a resumption of terrorist attacks remains. The United States will continue to support efforts by the Norwegian Government to facilitate negotiations between the Government of Sri Lanka and the LTTE.

Embassy Colombo will be responsible for implementation of programs funded with ESF resources for the Maldives. Funded programs will assist in strengthening rule of law in the Maldives, building capacity among NGOs to help assure human rights protections, seeking to increase the political empowerment of women, and supporting efforts to enforce labor rights in the country.

South Asia Regional Funds
(\$ in thousands)

| Account | FY 2000 Actual | FY 2001 Estimate | FY 2002 Request |
|---------|----------------|------------------|-----------------|
| ESF | 3,000 | 0 | 7,000 |

National Interests:

Promoting stability in South Asia enhances the security of the United States by ensuring that the newly acquired nuclear capability of India and Pakistan is not utilized. Critical to this objective is resumption of high-level bilateral talks between India and Pakistan. Better relations between these two long-time adversaries could help reduce both countries' reliance on weapons of mass destruction and enable them to redirect their limited resources to social and economic development. The United States is also concerned about civil strife and instability hampering economic growth and impeding the maturation of civil society and fragile democratic institutions in Nepal and Sri Lanka. Diplomatic efforts by the United States in conjunction with our allies could help these societies resolve the conflicts.

The region is further destabilized by the continuing civil war in Afghanistan. Ending the conflict that has devastated Afghanistan's infrastructure, economy and society, and that prevents any meaningful reconstruction, is a long-term goal of U.S. policy in South Asia which will require active U.S. diplomatic leadership in the region, at the United Nations, and with our allies. The United States seeks to end the fighting among Afghan factions and bring a political settlement to the conflict, including the establishment of a broad-based, representative government. This unstable, Taliban-dominated country provides fertile ground for extremism and terrorism, including the activities of terrorist organizations operating on Afghan territory. The long civil war has also spawned a massive drug trade. Three consecutive years of the world's highest opium production levels have made inexpensive, high quality Afghan heroin available throughout the world, including North America. The Afghan drug trade adversely affects U.S. interests. It is linked to international terrorism, rising crime, corruption, drug addiction, and HIV infection in Central, Southwest, and South Asia, and is a source of income for organized crime groups stretching across Russia into Europe and the United States.

The United States is also addressing human rights abuses in South Asia. Women in particular endure some of the most severe forms of abuse, including the repressive policies of the Taliban in Afghanistan. In response to the growing problem of trafficking of women and children, widespread in most of South Asia, funds may be used to support local efforts to combat the problem. In Bangladesh, Pakistan and India, NGOs, private attorneys and government agencies are beginning to deal with abuse against women -- particularly honor killings and dowry-related attacks -- but these local efforts are seriously underfunded and require financial support.

Opening markets, encouraging reform, and improving the business climate are essential to accelerating the region's economic growth rate and increasing U.S. exports to and investment in South Asia. Meeting future energy needs is one of the greatest challenges India, in particular, faces today. Harnessing extensive natural gas and hydropower resources in Bangladesh and Nepal could raise these countries out of poverty and foster greater regional cooperation and prosperity through

energy trade. U.S. assistance in developing this potential will also create significant investment opportunities for U.S. companies, promote clean energy resources in the region, and encourage greater regional stability by building strong, shared economic interests.

Objectives & Justification:

The South Asia Regional Funds support confidence-building measures (CBMs), particularly between the civil societies of India and Pakistan. The primary focus will be on academic centers and trade and business associations in the region. The Fund will also provide technical assistance to regional entities to promote regional cooperation. These types of programs will not only promote cooperation and build positive relationships between sectors of Indian and Pakistani society, but will also help address cross-border problems such as trafficking in women and children, water management, and cooperation in the energy sector. In addition, these funds will support CBMs in Sri Lanka between the ruling party and Tamil opposition parties. In FY 2000 and FY 2001, these projects -- and others -- were funded under ESF South Asian Regional Funds for Democracy, Energy and the Environment, and Support for Women and Children. In FY 2002, as noted above, the Bureau is requesting most ESF on a country-specific basis in order to address particular issues more effectively .

The South Asia regional ESF funds will also promote U.S. efforts to address the conflict in Afghanistan. While the U.S. supports UNSC sanctions designed to persuade the Taliban to end their support for international terrorists, we continue to promote and contribute to U.N. and other international support for Afghan humanitarian needs. These funds promote efforts to strengthen the capacity of Afghans, especially women, and of Afghan NGOs to advocate for protection of human rights and to foster a healthy civil society.

The South Asia regional funds will bring more focus and resources to regional cooperation in rehabilitating individuals who have been trafficked for prostitution and other forced labor. These programs will provide training and educational opportunities to give women and girls the means to earn their own living. The Bureau's Regional Strategy to Combat Trafficking in Women and Children contains bilateral and regional programs to address this widespread human rights violation. The Strategy envisions a U.S. interagency effort to address all aspects of the problem.

Bangladesh has rich deposits of natural gas which can provide the greatest economic benefit through export. Nepal could be an important source of hydropower for the region. South Asia regional ESF and USAID's Development Assistance funding of the regionally-focused South Asian Regional Initiative for Energy -- a program begun in FY 2000 -- will continue to benefit the governments of South Asia in improving the efficiency of the energy sector, while also promoting overall economic development in Bangladesh, India, and Nepal. This initiative will promote energy resource development, U.S. trade and investment in energy and environmental technologies, and regulatory reforms to build private sector participation in the energy market.

These funds will support expanding clean-energy programs in India, Pakistan, Sri Lanka, Maldives, Bangladesh, and Nepal. The programs will maximize the use of clean fuels such as natural gas and help predict and minimize the adverse impact of industrial growth and greenhouse gas emissions. Effective regional energy cooperation requires technical assistance that will also

encourage investment by U.S. businesses. Funds will also be used in the Bengal Basin to support environmental governance activities and to address the arsenic contamination of drinking water supplies.