

## PAKISTAN: UNITED STATES FOREIGN ASSISTANCE\*

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### SUMMARY

The 112<sup>th</sup> Congress is focused on cost-cutting measures to reduce the budget deficit. How it deals with the second-ranking U.S. aid recipient, Pakistan—which is important to U.S. national security interests but that some say lacks accountability—will be key.

Pakistan has been among the leading recipients of U.S. foreign assistance both historically and in FY2010, and most experts list the country among the most strategically important for U.S. policy makers. Recent major developments—including the killing of Al Qaeda founder Osama bin Laden in Pakistan—have put strains on bilateral relations, making uncertain the future direction of U.S. aid to Pakistan. For many lawmakers, the issue will be how to balance considerations about Pakistan's strategic importance to the United States with the pervasive and mounting distrust in the U.S.-Pakistan relationship and with budget deficit-reduction pressures.

U.S. assistance to Pakistan has fluctuated considerably over the past 60 years. In the wake of 9/11, however, aid to Pakistan has continually risen as the Bush and Obama Administrations have characterized Pakistan as a U.S. partner in the Afghanistan war, in the fight against terrorism, and in efforts to stabilize the region. Since 1948, the United States has pledged more than \$30 billion in direct aid, about half for military assistance. Two-thirds of this total was appropriated in the post-9/11 era from FY2002 to FY2010. Some question the gains from the aid, saying there is a lack of accountability and reform by the Pakistani

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government, and any goodwill generated by it is offset by widespread anti-American sentiment among the Pakistani people.

In September 2009, Congress passed the Enhanced Partnership with Pakistan Act of 2009 (EPPA, also known as the “Kerry-Lugar-Berman” or “KLB” bill for its main sponsors). This became P.L. 111-73 and authorizes the President to provide \$1.5 billion in annual bilateral economic aid to Pakistan from FY20 10 through FY20 14. The law requires certification for release of security-related aid; such conditionality is an ongoing and contentious issue. Also in 2009, Congress established two new funds—the Pakistan Counterinsurgency Fund (PCF) within the Defense Department appropriations and the Pakistan Counterinsurgency Capability Fund (PCCF) within the State-Foreign Operations Appropriations — to build Pakistan’s counterinsurgency capabilities.

Within the FY2010 supplemental appropriations (P.L. 111-212), Congress provided \$349 million in military and economic assistance to Pakistan, \$5 million more than the Administration’s request. When “coalition support fund” military reimbursements are included, the U.S. provided a total of \$4.5 billion for Pakistan for FY20 10 alone, making it the second-highest recipient after Afghanistan. In addition to these ongoing programs, in mid-2010 the United States pledged an additional \$592 million in emergency and recovery aid, plus more than \$95 million of in-kind aid after extensive flooding resulted in a severe humanitarian crisis that affected an estimated 20 million Pakistanis. In October 2010, Secretary of State Hillary Clinton announced the Administration’s intention to increase U.S. Foreign Military Financing for Pakistan to \$2 billion over a five year period, a \$100 million annual increase from the current level. This would have to go through the congressional appropriation and authorization process.

This report will be updated as congressional actions on aid to Pakistan unfold in the 112<sup>th</sup> Congress. For broader discussion of U.S.-Pakistan relations, see CRS Report R4 1307, *Pakistan: Key Current Issues and Developments*, and CRS Report R4 1832, *Pakistan-U.S. Relations: A Summary*.

## INTRODUCTION<sup>1</sup>

Experts commonly list Pakistan among the most strategically important countries for U.S. policy makers. The 112<sup>th</sup> Congress will likely grapple with balancing Pakistan’s importance to U.S. national security interests and domestic budgetary pressures.

In the post-9/11 period, assisting in the creation of a more stable, democratic, and prosperous Pakistan actively combating religious militancy has been a central U.S. foreign policy effort. Global and South Asian regional terrorism, and a nearly decade-long effort to stabilize neighboring Afghanistan, are viewed as top-tier concerns. Pakistan's apparently accelerated nuclear weapons program and the long-standing dispute with India over Kashmir continue to threaten regional stability. Pakistan is identified as a base for numerous U.S.-designated terrorist groups and, by some accounts, most of the world's jihadist terrorist plots have some connection to Pakistan-based elements. With anti-American sentiments and xenophobic conspiracy theories remaining rife among ordinary Pakistanis, persistent economic travails and a precarious political setting combine to present serious challenges to U.S. decision makers. Aware of these and other concerns, the U.S. government has provided large-scale foreign assistance to Pakistan with an eye toward short-term U.S. security interests and longer-term U.S. interests in realizing a more stable, democratic, and prosperous Pakistani state.

The United States has provided significant foreign aid to Pakistan over the nearly 64 years since that country's independence, but at levels that fluctuated widely. Major aid flows during some periods and drastic cuts in others contributed to creating a perception among many in Pakistan that the United States is not a fully reliable ally. At the same time, some U.S. lawmakers continue to question providing large amounts of aid to a Pakistani government that is seen as an unreliable partner in U.S. counterterrorism efforts—as evidenced most recently by revelations that Al Qaeda founder Osama bin Laden found refuge in a Pakistani city for several years. To many, Pakistan also appears incapable of providing sustainable economic development and security for its own people, and often is unaccountable to the United States for aid results. Beyond these issues, some question whether the aid results in public diplomacy benefits for the United States.

Pakistan is a poor, fragile, and insecure state, representing a daunting challenge to U.S. and other foreign donors. Pakistan's estimated per capita GDP of \$2,791 (at purchasing power parity) ranks it 136<sup>th</sup> of 183 world countries (by comparison, the U.S. figure is \$45,284 and India's, with seven times as many citizens, is \$3,309). From 2008 to 2010 the country experienced aggregate inflation of nearly 50% against GDP growth of less than 13%. Pakistan's education sector is among the world's least effective: the government devotes less than 3% of GDP to education and nearly one-quarter of primary school age children have no formal education of any kind. Less than half of Pakistanis have access to modern energy services, and the energy

infrastructure is so overburdened that chronic electricity shortages result in rolling blackouts lasting 10 or more hours per day, even in vital business centers such as Karachi. Potable water shortages are widespread, and a dilapidated health sector provides insufficient access to basic health services, meaning that many citizens—women and children, especially—die each year from preventable diseases. Meanwhile, security threats remain rife: Pakistan is home to multiple Islamist, separatist, sectarian, and other politically motivated militants and terrorist groups. The U.S.

National Counterterrorism Center reports there were an average of more than 25 terrorist attacks each week in Pakistan in 2010; only Afghanistan and Iraq suffer a higher number of incidents.<sup>2</sup>

## RECENT DEVELOPMENTS

Pakistan has been a central issue in several congressional and executive branch actions:

- On July 27, the House Appropriations Subcommittee on State-Foreign Operations Appropriations marked up its FY20 12 bill that includes Section 7047, stating that none of the funds made available by this act may be obligated for aid to Pakistan until the Secretary of State, in consultation with the Secretary of Defense and the Director of National Intelligence, certifies and reports to Congress that the Government of Pakistan is cooperating on nuclear nonproliferation efforts, investigating how Osama bin Laden found refuge in Pakistan for years, and making demonstrable progress in combating terrorist groups. This bill would provide no Pakistan Counterinsurgency Capability Funds (PCCF).
- H.R. 1540, the Defense Authorization bill, was introduced April 14, 2011, and passed by the House with amendments on May 26, 2011. This bill extends authorization of the Pakistan Counterinsurgency Fund (PCF) to September 30, 2012, and restricts use of the PCF after FY20 11 to not more than 25% of the Fund unless the Secretary of Defense submits a report to appropriate congressional committees (with the concurrence of the Secretary of State) identifying the strategy for use of the PCF and the metrics to be used to determine progress is being met. The report is to be updated annually at the time

that the President's budget is submitted to Congress. The bill currently is awaiting action in the Senate.

- H.R. 2219, The Defense Appropriations Act of 2012, was introduced on July 11, 2011. This bill would appropriate \$1.1 billion to PCF and contains similar language as H.R. 1540 that limits authorization of PCF spending to not more than 25% of the fund unless a report is submitted to certain congressional committees setting the strategy for use of PCF expenditures and metrics to determine if the strategy is successful. If interested in spending more than 25%, the Secretary of Defense is required to send a report 30 days prior to planned expenditures. The bill passed in the House and awaits Senate action.
- Section 981 of the Foreign Relations Authorization Act 2012, as introduced by Chairwoman Ileana Ros-Lehtinen on July 19, 2011, would amend the Enhanced Partnership with Pakistan Act of 2009 (EPPA, P.L. 111-73) by stating that no aid would be available to Pakistan unless the Secretary of State certifies that Pakistan is making measurable progress toward achieving the principal objectives of U.S. assistance to Pakistan as stated in the Pakistan Assistance Strategy Report. Furthermore, in order to receive security assistance within EPPA, Pakistan would have to make demonstrable progress toward combating terrorist groups, including the Haqqani Network, fully assist the United States in investigating bin Laden's residency in Pakistan, and facilitate entry/exit visas for U.S. military trainers and personnel for other cooperative programs and projects in Pakistan. The bill is being marked up in the House Foreign Affairs Committee.
- The Obama Administration has recently indicated certain changes in military aid to Pakistan. Congressional sources say that Pakistan will not be receiving some \$440 million worth of scheduled counterinsurgency training and equipment due to the recently reduced U.S. military trainer presence there, along with obstacles to fulfilling agreements between the two countries. In addition, according to these sources, delays in processing U.S. visa requests has led to the suspension of \$300 million in anticipated CSF reimbursements.

A number of events have significantly affected U.S.-Pakistan relations and could influence congressional views regarding future U.S. aid for that country:

- The Obama Administration submitted its FY20 12 budget request to Congress on February 14, 2011. It includes \$2.965 billion for aid to

Pakistan within the 150 (international affairs) function. The Administration also requested \$1.75 billion in Pentagon funding to reimburse coalition partners for logistical and operational support of U.S.-led military operations worldwide. Pakistan has in the past received more than three-fourths of such funds for its support related to U.S. efforts in Afghanistan.

- Early in 2011, an incident involving an undercover U.S. employee tested the fragile U.S.-Pakistan relations and caused some in Congress to scrutinize the second-largest U.S. aid recipient. On March 16, 2011, CIA operative Raymond Davis was freed from a Pakistani prison and immediately flown out of the country. Davis, who worked out of the U.S. Consulate in Lahore, had shot and killed two men who approached his vehicle in urban traffic on January 27. Davis contended that he acted in self-defense when the men tried to rob him at gunpoint. However, Pakistani authorities accused him of murder and a court barred the government from releasing him despite an adamant insistence from top U.S. officials that diplomatic immunity shielded him from prosecution. After weeks of secret negotiations, political pressure by Pakistani officials on the courts, and, finally, a pledge of \$2.3 million in *diyat*—commonly referred to as “blood money”—for the victims’ families, Davis was released. The controversy led some in Congress to question further U.S. aid to Pakistan (H.Res. 145 called for a “freeze” on all monetary assistance to Pakistan until such time Davis was released; the resolution did not emerge from committee).
- On May 1, 2011, U.S. Special Forces killed Osama bin Laden in a raid on a compound in Abbottabad, Pakistan, some 35 miles north of Islamabad. The circumstances of bin Laden’s refuge raised serious suspicions for many Members of Congress concerned that elements of Pakistan’s security forces may have been complicit in protecting the Al Qaeda founder for years while the United States provided billions of dollars in aid to Pakistan. Some senior Members—House Speaker John Boehner and Senate Foreign Relations Committee Chairman John Kerry among them—counseled a moderate response to the development, emphasizing the ongoing importance of the U.S.-Pakistan relationship for key U.S. interests. Others—including Senate Armed Services Committee Chairman Levin and Senate Homeland Security Committee Chairman Lieberman—issued strongly worded suggestions that levels of U.S. aid could be sharply reduced.<sup>3</sup>

- On May 3, 2011, H.R. 1699, the Pakistan Foreign Aid Accountability Act, was introduced in the House and referred to the House Foreign Affairs Committee. The act would prohibit future foreign assistance to Pakistan unless the Secretary of State certifies that the Pakistani government was not complicit in hiding bin Laden (to date, the bill has not emerged from committee). In the wake of bin Laden's death and increasing acrimony between the U.S. and Pakistani governments, congressional scrutiny of the relationship and bilateral aid program intensified. Some in Congress appear to favor scaling back development aid to focus U.S. resources on combating Islamist terrorism and militancy. Others maintain that strengthening Pakistan's civilian government is a key means to ensuring a positive, long-term relationship with that country.<sup>4</sup>
- On May 16, 2011, Senator Kerry arrived in Islamabad, the highest-ranking U.S. official to do so after the death of bin Laden. Senator Kerry said that it was important to press the "reset button" in U.S.-Pakistan relations and use this opportunity to put the relationship back on track and work jointly to bring about effective cooperation to combat terrorism, which is in both countries' interest. He also stated that he was "determined to make sure that the kinds of projects that are financed by the Kerry-Lugar-Berman funds will get on track and demonstrate our long-term commitment to Pakistan."<sup>5</sup>

## FLUCTUATING U.S. AID TO PAKISTAN BEFORE 9/11

Over the past six decades, the United States has turned aid to Pakistan on and off to correspond with U.S. foreign policy objectives and to reflect the state of the bilateral relationship. Aid was provided or restricted for numerous reasons over those 60 years. In some years, U.S. aid would support balance in the region and contain Soviet expansionism; in other years, the U.S. government would withhold aid because of nuclear weapons proliferation and lack of democratization gains. U.S. aid levels to Pakistan (after adjusting for inflation) peaked in 1962 when Pakistan aligned itself with the West by joining two regional defense pacts, the South East Asia Treaty Organization (SEATO) and the Central Treaty Organization (CENTO, also known as the "Baghdad Pact"; see Figure A-1). President Dwight D. Eisenhower famously called Pakistan America's "most allied ally in Asia." In contrast, U.S. aid to Pakistan was at its lowest level in the 1990s after the Soviet Army withdrew

from Afghanistan in 1989, and President George H. W. Bush suspended aid to Pakistan in 1990 because of its nuclear activities.

During and immediately after the Indo-Pakistani wars of 1965 and 1971, the United States suspended military assistance to both sides. This resulted in a cooling of the Pakistan-U.S. relationship and a perception among many in Pakistan that the United States was not a reliable ally. In the mid-1970s, new strains arose over Pakistan's efforts to respond to India's 1974 underground nuclear test by seeking its own nuclear weapons capability. President Jimmy Carter suspended most U.S. aid in response to Pakistan's covert construction of a uranium enrichment facility. However, in 1979, the Soviet Union invaded Afghanistan, and the United States viewed Pakistan as a frontline ally in the effort to block Soviet expansionism. In 1981, therefore, the Reagan Administration negotiated a five-year, \$3.2 billion economic and military aid package with Pakistan. As a result, Pakistan became a key transit country for arms supplies to the Afghan resistance, as well as home for millions of Afghan refugees, many of whom have yet to return.

In 1985 Congress passed the Pressler Amendment (Section 620E(e) of the Foreign Assistance Act of 1961) that required the President to certify to Congress that Pakistan did not possess a nuclear explosive device during the fiscal year for which the aid was provided. President Reagan and President George H. W. Bush certified Pakistan each year until 1990.

After the 1990 suspension of aid to Pakistan, U.S. aid to that country remained at low levels not seen since the early 1950s, largely due to a disengagement from Pakistan and Afghanistan after the defeat of the Soviet Union there, as well as an overall reduction in foreign aid in an effort to balance the U.S. budget. This left a lasting effect on Pakistani perceptions of the United States. Former Pakistani Army Chief and President Musharraf repeatedly voiced a narrative in which Pakistan joined the United States to "wage jihad" in Afghanistan in the 1980s, only to see "disaster" follow when the "military victory was bungled up" and the United States then left the region "abandoned totally." When combined with ensuing sanctions on U.S. aid, this left many Pakistanis with the sense they had been "used and ditched."<sup>6</sup> According to the succeeding Pakistani President Asif Zardari, writing in January 2009, "Frankly, the abandonment of Afghanistan and Pakistan after the defeat of the Soviets in Afghanistan in the 1980s set the stage for the era of terrorism that we are enduring."<sup>7</sup>

Unpredictability of U.S. aid has contributed to Pakistan's view that the United States is an unreliable partner. That view may play a role in Pakistan's level of cooperation with the United States on various national security issues



while keeping its options open with U.S. competitors, such as China. Pakistani Prime Minister Yousef Raza Gillani's May 2011 state visit to Beijing was viewed by many as an implicit response to a recent deterioration in U.S.-Pakistan ties.<sup>8</sup>

## U.S. AID TO PAKISTAN AFTER 9/11

Following a decade of alienation in the 1990s, U.S. relations with Pakistan were once again transformed in dramatic fashion, this time with the September 11, 2001, terrorist attacks on the United States and the ensuing enlistment of Pakistan as a pivotal ally in U.S.-led counterterrorism efforts. Post-9/11 U.S. aid to Pakistan rose dramatically and included a \$600 million emergency cash transfer in September 2001. In 2003, President George W. Bush hosted then-Pakistani President General Pervez Musharraf at Camp David, MD, where he vowed to work with Congress on establishing a five-year, \$3 billion aid package for Pakistan. Annual installments of \$600 million each, split evenly between military and economic aid, began in FY2005.<sup>9</sup>

From FY2000 at \$36.76 million to FY2001 at \$187.7 million, U.S. aid increased five-fold, and in FY2002 (the first post-9/11 fiscal year) aid increased by another 11-fold to \$2,057 million. Aid continually increased from 2006 to 2010; FY2007 was the first year of the Bush Administration's plan to devote \$750 million in U.S. development aid to Pakistan's tribal areas over a five-year period. The 2010 U.S. aid to Pakistan of some \$4,462 million represents an increase of 2,273% when compared to the pre-9/11 level in FY2001. In FY2010, Pakistan ranked second among top U.S. aid recipients, after Afghanistan and before Israel.

About two-thirds of U.S. aid from FY2002 to FY2010, some \$13.3 billion (including Coalition Support Fund reimbursements), has supported security assistance in Pakistan. Of that, about \$9.4 billion has been funded through Defense Department appropriations, with \$3.9 billion in security assistance for Pakistan funded through the Department of State appropriations. Economic assistance for Pakistan from FY2002 to FY2010 has totaled more than \$6.5 billion. About three-fourths (or \$4.8 billion) of that was within the Economic Support Fund (ESF),<sup>10</sup> which grew dramatically in FY2009 and FY2010.

Over the years, disbursements of aid to Pakistan generally track appropriation levels of aid. However, in some years not all aid appropriated is actually disbursed. For example, of the \$400 million in Pakistan Counterinsurgency Fund (PCF)/Pakistan Counterinsurgency Capability

(PCCF) funds in 2009, a total of \$125 million has been received by Pakistan. With other accounts, some funds are transferred to meet certain needs on the ground. During years of natural disasters, some funds from ESF have been transferred to the International Disaster Assistance (IDA) or the Migration and Refugee Assistance (MRA) account. (See **Table 1** for both appropriation and disbursement levels.)

### **Bilateral Economic Assistance**

The United States provides bilateral economic, development, and humanitarian assistance to Pakistan through a number of funding accounts: the Economic Support Fund (ESF), Food for Peace Title II (P.L. 480), Global Health and Child Survival, as well as International Disaster Assistance (IDA), and Migration and Refugee Assistance (MRA). Often funds within ESF are transferred to IDA or MRA for emergency assistance, such as in response to the Pakistan flooding crisis in 2010.

In FY2009 and FY20 10, ESF funds reflected about 80% of U.S. economic assistance to Pakistan, with the above-noted accounts making up the remaining 20% (see **Table 1**). Some of the increases in ESF funding were from FY2009 and FY20 10 supplemental appropriations passed by Congress. ESF is used to fund a wide array of activities. In Pakistan the program is used to help establish political parties and bolster Pakistan's ability to conduct elections; help the government provide services to its citizens; promote delivery of health-related technologies, such as vaccines; provide basic education support, such as building schools and providing funds for text books and teachers; and improve the quality of universities in Pakistan. ESF funds also provide help for the government of Pakistan to pursue economic reforms, such as improving tax collection, strengthening border management, and building infrastructure—roads and power supply—to improve citizens' faith in their government and promote job growth and stability. ESF promotes agriculture, which is a key component of job growth in rural districts, and supports linkages between farmers, markets, and business service providers to increase access to modern farm equipment. ESF also promotes private-sector competitiveness to strengthen the business community, create jobs, and expand the economy.

Food for Peace aid to Pakistan fluctuates from year to year, largely related to needs on the ground. During years of humanitarian crisis (either natural or war-related), food aid levels can rise dramatically. The 2010 floods in Pakistan

created a severe humanitarian crisis, affecting more than 20 million people and resulting in the United States more than doubling food aid over the previous year's level, from \$55 million in 2009 to \$124 million in 2010.

Global Health and Child Survival (GHCS) funding levels within the past decade range from \$14 million in FY2002 to \$34 million in FY2009 and totaled \$221 million from FY2002 to FY2010. This program provides funds to Pakistani nongovernmental organizations, national, and provincial organizations to partner and fight more effectively the spread of HIV/AIDS and support the national HIV/AIDS strategy, among other things.

### ***FATA Development Plan***

Pakistan's western tribal areas are remote, isolated, poor, and traditional in cultural practices. The social and economic privation of the inhabitants is seen to make the region an attractive breeding ground for violent extremists. The U.S.-assisted development initiative for the Federally Administered Tribal Areas (FATA), launched in 2003, seeks to improve the quality of education, develop healthcare services, and increase opportunities for economic growth and micro-enterprise specifically in Pakistan's western tribal regions.<sup>11</sup> A senior USAID official estimated that, for FY2001 -FY2007, about 6% of U.S. economic aid to Pakistan was allocated for projects in the FATA.<sup>12</sup>

In 2008, the Bush Administration urged Congress to continue funding the five-year, \$750 million aid plan for the FATA initiated in FY2007. The plan supports Islamabad's own 10-year, \$2 billion sustainable development effort there. In H.Rept. 111-151, the 111<sup>th</sup> Congress expressed its intention that the majority of the \$399 million in unallocated FY2009 supplemental assistance for Pakistan be used to support programs in the FATA and Khyber Pakhtunkhwa (KPk, formerly North West Frontier) province "to counter the influence of violent extremists through local initiatives, including infrastructure, health, education, governance, rule of law, and employment opportunities."

Skepticism has arisen about the potential for the policy of significantly boosted FATA-specific funding to be effective. Corruption is endemic in the tribal region and security circumstances are so poor that Western nongovernmental contractors find it extremely difficult to operate there. Moreover, as much as half of the allocated funds reportedly are devoted to administrative costs.<sup>13</sup> Islamabad insists that implementation of aid programs in the FATA be carried out wholly by Pakistani civil and military authorities and that U.S. aid, while welcomed, must come with no strings attached.<sup>14</sup> Attacks on aid workers exacerbate a circumstance in which corruption and

tangled bureaucracy thwart U.S. aid efforts in the FATA. In 2009, the KPK governor himself complained that very little new assistance funds were reaching the tribal belt.<sup>15</sup>

According to former USAID Afghanistan Pakistan Task Force Director James Bever, aid efforts in the FATA have been hampered by the limited presence of Pakistani federal ministries and constrained provision of services. Some Pakistan-based analysts raise like concerns and have recommended that the United States and other international donors refrain from handing control of development programs in the crucial FATA region to the Pakistani government until political reforms and effective financial oversight mechanisms are in place.<sup>16</sup> Given such limitations, USAID's primary aim is to build confidence in the Pakistani government by working with the FATA Secretariat on small-scale projects in relatively secure areas. All of the activities are developed, monitored, and evaluated in partnership with the FATA's civilian authorities.<sup>17</sup>

#### ***The Enhanced Partnership with Pakistan Act (EPPA) of 2009***

A key aspect of the Obama Administration's approach to Pakistan has been a tripling of annual nonmilitary aid to improve the lives of the Pakistani people, with a particular focus on conflict-affected regions, and increased U.S. military aid to Islamabad on counterinsurgency goals while conditioning such aid on that government's progress in both combating militancy and further democratizing. As Senators in the 110<sup>th</sup> Congress, President Obama, Vice President Joe Biden, and Secretary of State Hillary Clinton all supported the Enhanced Partnership With Pakistan Act of 2008 (which was never voted upon), and they strongly encouraged the 111<sup>th</sup> Congress to pass a newer version of that legislation.

During the first session of the 111<sup>th</sup> Congress, the full House passed a parallel Pakistan Enduring Assistance and Cooperation Enhancement Act of 2009 (H.R. 1886) and, three months later, the Senate unanimously passed The Enhanced Partnership With Pakistan Act of 2009 (S. 1707), both authorizing a tripling of nonmilitary aid to Pakistan for at least five years (through FY2014). President Obama signed the resulting Enhanced Partnership with Pakistan Act (EPPA) of 2009 into P.L. 111-73 on October 15, 2009. The legislation is sometimes referred to as the "KerryLugar-Berman" or "KLB" bill (see the law's principles and purposes in **Appendix D**).

Senate Foreign Relations Committee Chairman Senator John Kerry lauded the legislation as the product of extensive "bicameral, bipartisan, and inter-branch consultation" that was meant to "forge a new long-term relationship

between the people of America and Pakistan.” Then-House Foreign Affairs Committee Chairman Representative Howard Berman emphasized the importance of forging a “true strategic partnership with Pakistan and its people.” Secretary of State Clinton called the legislation’s passage “a historic chapter” in bilateral relations that would “strengthen the bonds of friendship and cooperation between the American people and the Pakistani people.”<sup>18</sup> Independent analysts viewed the legislation as a landmark expression of the U.S. Administration’s and Congress’s intent to provide significant, long-term support for its Pakistani allies.

The EPPA authorizes \$1.5 billion annually for economic aid to Pakistan from FY20 10 to FY20 14 to support democratic institutions and the expansion of rule of law, promote economic freedoms and sustainable economic development, support investment in people, and strengthen public diplomacy in Pakistan. The act states that no funds may be made available unless the Administration submits a Pakistan Assistance Strategy Report to the appropriate congressional committees (the Administration submitted the report on December 14, 2009). It also limited aid to \$750 million unless the President’s Special Representative to Afghanistan and Pakistan (or, if vacant, the Secretary of State) certifies to Congress that aid provided thus far is making reasonable progress toward achieving U.S. objectives. The act also allows for the Secretary of State to waive this certification requirement if it is in the U.S. national security interests to do so. It also provides a sense of Congress that the same level of economic aid should continue in FY20 1 5-FY20 19 “subject to an improving political and economic environment in Pakistan.”

The EPPA authorizes each year from FY2010 to FY2014 “such sums as be may be necessary” for security assistance. Security assistance and arms transfers are prohibited by the act unless the Secretary of State certifies that the government of Pakistan is continuing to cooperate with U.S. efforts to dismantle nuclear weapons-related material supplier networks and make significant efforts to combat terrorist groups, and if Pakistan’s security forces are not impeding political or judicial processes there. The Secretary of State may waive these limitations if doing so is deemed to be in the U.S. national security interest. Secretary Clinton issued the first such certification in March 2011.

The EPPA also clarifies activities related to the Pakistan Counterinsurgency Capability Fund (PCCF), established by Congress in the Supplemental Appropriations Act, 2009 (P.L. 111-32), including that aid within the PCCF is in addition to any other authority to provide assistance.

***Debate in Pakistan over the “KLB” Bill***

In what many consider to be a surprisingly visceral reaction, significant segments of Pakistani officialdom and society were highly critical of the EPPA, seeing in its language an intent to interfere with and dictate to Pakistan on sensitive foreign policy and national security issues, perhaps even with malicious goals. The “conditioning” of assistance was the focus of criticism. The main opposition party in Islamabad (the Pakistan Muslim League-Nawaz or PML-N) expressed “strong reservations” over the law’s conditions and requested that the government present the details for parliamentary approval. Even secular parties within the ruling coalition described the bill as “interference” in Pakistani affairs.<sup>19</sup> The Lahore High Court Bar Association unanimously passed a resolution rejecting the law, saying its imposition of “cruel conditions” represented a violation of Pakistani integrity and sovereignty.<sup>20</sup> In one representatively rancorous statement, a Pakistani commentator said the law was “less an assistance program than a treaty of surrender,” and he criticized its terms and conditions as amounting to a “ten-fold increase in national humiliation.” Another saw the conditions as aimed at “clipping the wings of Pakistan’s mighty security establishment.”<sup>21</sup> President Zardari himself rejected all such complaints as misguided and misinformed.

The most serious criticism, however, came from the Pakistani military establishment itself. A statement following the 122<sup>nd</sup> Corps Commander Conference in October 2009 included an expression of “serious concern regarding clauses [of the law] impacting on national security.” In the diplomatic context, this was taken as an unusually explicit and strong condemnation; Army chief General Ashfaq Pervez Kayani was reported to have energetically complained in person to visiting U.S. commander General Stanley McChrystal, focusing especially on clauses related to civilian control over the military, and references to the Afghan “Quetta shura” and the Lashkar-e-Taiba’s Muridke compound, which locate U.S.-designated terrorists on Pakistani territory.<sup>22</sup>

The widely negative and oftentimes vitriolic nature of Pakistani reactions caught many U.S. officials by surprise and spurred the Senate Foreign Relations Committee leadership to issue an unusual formal rebuttal of “myths” surrounding the bill. Primary among these was the widely held—and patently false—assumption that conditions had been placed on the \$7.5 billion in nonmilitary aid authorized for Pakistan. Other important corrections of the record included clarifications that nothing in the bill threatened Pakistani sovereignty in any way; that the conditions placed on military aid only reinforced standing policies of the Pakistani government and military; and that

the United States neither required nor desired an oversight role in internal Pakistani military operations such as promotion decisions, among several others.<sup>23</sup> Senator Kerry then traveled to Islamabad days later in a largely successful effort to allay Pakistani concerns.

Secretary of State Clinton was in Islamabad the same month, only two weeks after Senator Kerry and, when asked about the strongly negative reactions in Pakistan to the U.S. legislation, she expressed American “shock”:

For the United States Congress to pass a bill unanimously saying that we want to give \$7.5 billion to Pakistan in a time of global recession when we have a 10 percent unemployment rate, and then for Pakistani press and others to say we don’t want that, that’s insulting—I mean, it was shocking to us. So clearly, there is a failure to communicate effectively.<sup>24</sup>

Many independent observers saw the unexpectedly strong Pakistani reaction as being fueled and perhaps even generated by a combination of military elements and opposition political forces who shared a common cause of weakening the Pakistan People’s Party-led civilian government. Anti-government media outlets eagerly participated. More specifically, this perspective had Army Chief Kayani engaged in an ongoing struggle with President Zardari and Prime Minister Gillani over ultimate control of the country’s military. One effect of the U.S. legislation was to place the United States in the middle of this battle.<sup>25</sup> However, the spate of criticisms ended almost as quickly as it had begun, and by the end of 2009, Pakistani officials and most media critics had fallen silent.

### Security Assistance

As noted above, U.S.-Pakistan security cooperation accelerated rapidly in the post-9/11 period, and President George W. Bush formally designated Pakistan as a major non-NATO U.S. ally in 2004. The close U.S.-Pakistan security ties of the Cold War era, which came to a near halt after the 1990 aid cutoff, were restored as a result of Pakistan’s role in the U.S.-led anti-terrorism campaign. In 2002, the United States began allowing commercial sales that enabled Pakistan to refurbish at least part of its fleet of American-made F-16 fighter aircraft and, three years later, Washington announced that it would resume sales of new F-16 fighters to Pakistan after a 16-year hiatus. During the Bush Administration, a revived U.S.-Pakistan Defense Consultative Group

(DCG)—moribund from 1997 to 2001—sat for high-level discussions on military cooperation, security assistance, and anti-terrorism. The forum has continued under the Obama Administration.

Pentagon officials have for some time been frustrated by the allegedly feckless counterinsurgency efforts of the internally squabbling Islamabad government. Reports indicate that U.S. officials have been disheartened by signs that the Pakistani military is slow to shift away from a conventional war strategy focused on India, and they have made clear the United States stands ready to assist Pakistan in reorienting its army for counterinsurgency efforts. This is not a task the Pakistani military leadership has appeared eager to complete. In an effort to more effectively channel U.S. security assistance so as to specifically strengthen Pakistan's counterinsurgency capabilities, the Pentagon proposed, and Congress later endorsed, creation of a dedicated fund, the Pakistan Counterinsurgency Fund (PCF), later designated as the Pakistan Counterinsurgency Capability Fund (PCCF).<sup>26</sup>

In addition to conditions on security assistance found in the EPPA, Pakistan is subject to more general conditionality on such aid. For example, in the spring of 2010, concerns arose that allegedly serious human rights abuses by the army—especially in the Swat Valley northwest of Islamabad—including extrajudicial killings and the holding of thousands of suspected militants in indefinite detention, would trigger so-called “Leahy Amendment” restrictions on future U.S. security assistance (Sec. 620J of the Foreign Assistance Act of 1961 (P.L. 87-195, as amended), also known as the Leahy Amendment, states that “No assistance shall be furnished under this Act or the Arms Export Control Act to any unit of the security forces of a foreign country if the Secretary of State has credible evidence that such unit has committed gross violations of human rights”).<sup>27</sup> In October of that year, the Obama Administration announced that it would abide by these provisions by withholding train and equip funding for several Pakistani army units believed to be complicit in human rights abuses, and it remains concerned about potential mass disappearances of detainees into the hands of Pakistani security forces.<sup>28</sup>

#### ***Coalition Support Funds (CSF)***

At the Bush Administration's behest, Congress in FY2002 began appropriating billions of dollars to reimburse Pakistan and other nations for their operational and logistical support of U.S.-led counterterrorism operations. These “coalition support funds” (CSF) have accounted for nearly half of U.S. financial transfers to Pakistan since 2001; as of May 2011, some



\$8.9 billion had been disbursed. The amount equals roughly one-fifth to one-quarter of Pakistan's total military expenditures during this period. According to Secretary of Defense Gates, CSF payments have been used to support many scores of Pakistani army operations and help to keep more than 100,000 Pakistani troops in the field in northwest Pakistan by paying for their food, clothing, and housing. They also compensate Islamabad for coalition usage of Pakistani airfields and seaports.<sup>29</sup>

During the latter years of the previous decade, however, concerns grew in Congress and among independent analysts that standard accounting procedures were not being employed in overseeing these large disbursements from the U.S. Treasury. The Government Accountability Office (GAO) was tasked to address oversight of coalition support funds that go to Pakistan. Its 2008 report found that, until about one year before, only a small fraction of Pakistani requests were disallowed or deferred. In early 2007, the value of rejected requests spiked considerably, although it still represented one-quarter or less of the total. The apparent increased scrutiny corresponded with the arrival in Islamabad of a new U.S. Defense Representative, Vice Admiral Michael Lefever, who reportedly has played a greater role in the oversight process. GAO concluded that increased oversight and accountability was needed over Pakistan's reimbursement claims for coalition support funds.<sup>30</sup>

The State Department claims that Pakistan's requests for CSF reimbursements are carefully vetted by several executive branch agencies, must be approved by the Secretary of Defense, and ultimately can be withheld through specific congressional action. However, a large proportion of CSF funds may have been lost to waste and mismanagement over the years, given a dearth of adequate controls and oversight. The Bush Administration may have concluded in late 2008 that Pakistan diverted much of the funds toward a military buildup focused on India.<sup>31</sup>

Senior Pentagon officials reportedly have taken steps to overhaul the process through which reimbursements and other military aid are provided to Pakistan. The National Defense Authorization Act (NDAA) for FY2008 (P.L. 110-181) for the first time required the Secretary of Defense to submit to Congress itemized descriptions of coalition support reimbursements to Pakistan. More recent NDAA's require the Secretary of Defense to submit to Congress detailed quarterly reports on the uses of CSF. In 2010, the now deceased Special Representative for Afghanistan and Pakistan Ambassador Richard Holbrooke claimed that about 60%-65% of Pakistan reimbursement requests under CSF are fulfilled. When questioned about CSF oversight at a March 2011 House hearing, the Commander of U.S. Central Command stated

that he had “some very keenly attentive field grade officers in Islamabad” who track the money “very, very carefully.”<sup>32</sup> A May 2011 press report suggests that this is being accomplished, and that U.S. auditors are now much more careful in their examination of Pakistani claims.<sup>33</sup>

### *Defense Supplies*

Major U.S. arms sales and grants to Pakistan since 2001 have included items useful for counterterrorism operations, along with a number of “big ticket” platforms more suited to conventional warfare. In dollar value terms, the bulk of purchases are made with Pakistani national funds, but U.S. grants have eclipsed this in recent years.

The Pentagon reports total Foreign Military Sales agreements with Pakistan worth \$5.4 billion for FY2002-FY2010 (in-process sales of F-16 combat aircraft and related equipment account for more than half of this). The United States also has provided Pakistan with more than \$2.1 billion in Foreign Military Financing (FMF) grants since 2001 (including FY2010 funds). These funds are used to purchase U.S. military equipment for longer-term modernization efforts.

Pakistan also has been granted U.S. defense supplies as Excess Defense Articles (EDA). Major post-2001 defense supplies provided or soon to be provided under FMF include:

- eight P-3C Orion maritime patrol aircraft and their refurbishment (valued at \$474 million; two delivered);
- about 6,312 TOW anti-armor missiles (\$186 million; at least 2,007 delivered);
- more than 5,600 military radio sets (\$163 million);
- six AN/TPS-77 surveillance radars (\$100 million);
- six C-130E transport aircraft and their refurbishment (\$76 million);
- five refurbished SH-2I Super Seasprite maritime helicopters granted under EDA (\$67 million);
- the USS *McInerney*, an ex-Perry class missile frigate (via EDA, \$65 million for refurbishment);
- 20 AH-1F Cobra attack helicopters via EDA (\$48 million, 12 refurbished and delivered); and
- 121 refurbished TOW missile launchers (\$25 million).

Supplies paid for with a mix of Pakistani national funds and FMF include:

- up to 60 Mid-Life Update kits for F-1 6A/B combat aircraft (valued at \$891 million, with \$477 million of this in FMF; Pakistan's current plans are to purchase 35 such kits); and
- 115 M-109 self-propelled howitzers (\$87 million, with \$53 million in FMF). Notable items paid for entirely with Pakistani national funds include:
  - 18 new F-16C/D Block 50/52 combat aircraft, with an option for 18 more (valued at \$1.43 billion, 17 delivered to date<sup>34</sup>);
  - F-16 armaments including 500 AMRAAM air-to-air missiles; 1,450 2,000-pound bombs; 500 JDAM bomb tail kits for gravity bombs; and 1,600 Enhanced Paveway laser-guided bomb kits, also for gravity bombs (\$629 million);
  - 100 Harpoon anti-ship missiles (\$298 million);
  - 500 Sidewinder air-to-air missiles (\$95 million); and
  - six Phalanx Close-In Weapons System naval guns (\$80 million).
 Other major articles transferred via EDA include:
  - 14 F-16A/B combat aircraft;
  - 59 T-37 military trainer jets' and
  - 550 M-113 armored personnel carriers.<sup>35</sup>

Under Coalition Support Funds (part of the Pentagon budget), Pakistan has received 26 Bell 412 utility helicopters, along with related parts and maintenance, valued at \$235 million. Under Section 1206 (global train and equip), Frontier Corps, and PCF/PCCF authorities (all overseen by the Defense Department to date), Pakistan has received four Mi-17 multirole helicopters (another six were provided temporarily at no cost), two King Air 350 surveillance aircraft, 450 vehicles for the Frontier Corps, 20 Buffalo explosives detection and disposal vehicles, hundreds of M-141

Bunker Defeat Munitions, helicopter spare parts, sophisticated explosives detectors, night vision devices, radios, body armor, helmets, first aid kits, litters, and large amounts of other individual soldier equipment. Pakistan is eager to receive more counterinsurgency hardware for use in western Pakistan, including armored personnel carriers, laser target designators, laser-guided munitions, and more night-vision goggles and surveillance gear. They also request better and more sophisticated surveillance and communications equipment, along with more attack and utility helicopters.

Despite the provision of equipment suited to unconventional warfare, some analysts have continued to criticize the programming of security-related aid to Pakistan. Foremost among these are assertions that the Pakistani military

maintains an institutional focus on conventional war-fighting capabilities oriented toward India and that it has used U.S. security assistance to bolster these capabilities while paying insufficient attention to the kinds of counterinsurgency capacity that U.S. policy makers might prefer to see strengthened.<sup>36</sup> For example, of the some \$2.1 billion in Foreign Military Financing provided to Pakistan from FY2002-FY20 10, more than half has been used by Islamabad to purchase weapons of limited use in the context of counterterrorism.<sup>37</sup> These include maritime patrol aircraft, anti-armor missiles, surveillance radars, update kits for F16 combat aircraft, and self-propelled howitzers. Counterarguments contend that such purchases facilitate regional stability and allow Pakistan to feel more secure vis-à-vis India, its more powerful neighbor.<sup>38</sup>

The Defense Department has characterized F-16 fighters, P-3C patrol aircraft, and anti-armor missiles as having significant anti-terrorism applications. The State Department has claimed that, since 2005, FMF funds have been “solely for counterterrorism efforts, broadly defined.”<sup>39</sup> Such claims elicit skepticism from some observers, and analysts who emphasize the importance of strengthening the U.S.-India strategic partnership have called U.S. military aid to Pakistan incompatible with U.S. strategic goals in the region. Moreover, U.S. officials are concerned that Pakistan has altered some conventional U.S.-supplied weapons in ways that could violate the Arms Export Control Act. Such alleged modifications include expanding the capability of both Harpoon anti-ship missiles and P-3C naval aircraft for land-attack missions. The Islamabad government categorically rejects the allegations.<sup>40</sup> Indian observers were unsurprised by the claims; New Delhi’s leaders continuously complain that Pakistan diverts most forms of U.S. assistance toward India. Some more suspicious analysts even see purpose in such a dynamic: a U.S. wish to maintain Pakistan’s viability as a regional balancer to Indian hegemony.<sup>41</sup>

During the course of autumn 2009 fighting in South Waziristan, Pakistan received low-profile but significant U.S. assistance in the form of transport helicopters, parts for helicopter gunships, and infantry equipment, along with unprecedented intelligence and surveillance video sharing from American UAVs. In anticipation of new counterinsurgency operations in 2010, the United States provided the Pakistani air force with about 1,000 quarter-ton bombs, along with up to 1,000 kits for making gravity bombs laser-guided-capable. As noted above, transfers to Pakistan of such offensive weaponry are viewed with a wary eye by the Indian government.

Pakistani officials have continued to complain that U.S.-supplied defense equipment, especially that most needed for counterinsurgency operations such as attack and utility helicopters, has been too slow in coming. The Pakistani Ambassador to the United States has been quoted as claiming that, in his first two years in Washington, Pakistan received only eight used Mi-17 transport helicopters and that Pakistan's military operations have been hindered by a lack of equipment. Such claims rile U.S. officials, who document that the United States has provided Pakistan with at least 50 helicopters since 2006—12 of them armed Cobra models—and who note that the delivery of more top-line attack helicopters has been delayed because of Pakistani inaction.<sup>42</sup> Former U.S. Joint Chiefs Chairman and Secretary of State Colin Powell has urged the Obama Administration to do a better job of providing the Pakistani military with the mobility and intelligence capabilities needed for counterinsurgency operations.<sup>43</sup> In September 2010, the Pentagon notified Congress of a potential sale to Pakistan of 30 Bell 412 utility helicopters and related support and training worth up to \$397 million.<sup>44</sup>

#### ***Military Training and Law Enforcement***

The George W. Bush Administration launched an initiative to strengthen the capacity of the Frontier Corps (FC), a 65,000-man paramilitary force overseen by the Pakistani Interior Ministry. The FC has primary responsibility for border security in Pakistan's western Khyber Pakhtunkhwa (KPk) and Baluchistan provinces, which border Afghanistan. In 2007, the Pentagon began using its funds to train and equip the FC, as well as to increase the involvement of the U.S. Special Operations Command in assisting with Pakistani counterterrorism efforts. Americans are also engaged in training Pakistan's elite Special Service Group commandos with a goal of doubling that force's size to 5,000. These efforts have continued under the Obama Administration. The U.S. program to train Pakistan's paramilitary forces reportedly has been hampered by Pakistan's reluctance to send troops who are needed for urgent operations elsewhere. Some analysts also contend that only U.S. military personnel (as opposed to contractors) can effectively train Pakistani soldiers.

Other security-related programs for Pakistan are aimed especially at bolstering Islamabad's counterterrorism and border security efforts, and have included U.S.-funded road-building projects in the KPk and FATA. The United States also has undertaken to train and equip new Pakistan Army Air Assault units that can move quickly to find and target terrorist elements. U.S.-funded military education and training programs seek to enhance the

professionalism of Pakistan's military leaders, and develop respect for rule of law, human rights, and democratic values. At least 600 Pakistani officers have received such training since 2001.

U.S. security assistance to Pakistan's civilian sector is aimed at strengthening the country's law enforcement capabilities through basic police training, provision of advanced identification systems, and establishment of a new Counterterrorism Special Investigation Group. U.S. efforts may be hindered by Pakistani shortcomings that include poorly trained and poorly equipped personnel who generally are underpaid by ineffectively coordinated and overburdened government agencies. Pakistan's weak criminal justice sector is marked by conviction rates below 10%, poorly trained investigators, and rampant corruption. Some analysts link the problem to democratization more broadly, and urge much greater U.S. and international attention to bolstering Pakistan's civilian security sector.<sup>45</sup> The findings of a 2008 think-tank report reflected a widely held view that Pakistan's police and civilian intelligence agencies are better suited to combating insurgency and terrorism than are the country's regular army. The report found that Pakistan's police forces are "incapable of combating crime, upholding the law, or protecting citizens and the state against militant violence," and placed the bulk of responsibility on the politicization of the police forces. The report recommended sweeping reforms to address corruption and human rights abuses.<sup>46</sup>

### **Other International Economic Donors**

Of the \$5.4 billion in total aid committed for Pakistan in 2009, about 48% was from multilateral agencies and 52% from bilateral sources. The United States is the largest single bilateral donor of development assistance to Pakistan, providing nearly half of all commitments (47.6%) in 2009. The United Arab Emirates committed 15% and the United Kingdom 13% that same year.

The largest multilateral agency commitments in 2009 were \$1.9 billion from the World Bank's International Development Association, \$278.8 million from European Union Institutions, and \$249.4 million from the Asian Development Fund.

See **Appendix C** for bilateral economic development aid commitments to Pakistan by other donor countries in FY2009.

Global cooperation involving a “Friends of Democratic Pakistan” (FODP) group was launched in September 2008, when President Zardari and the top diplomats of the United Arab Emirates, Britain, and the United States were joined by foreign ministers from Australia, Canada, France, Germany, Italy, Japan, and Turkey, and representatives of China, the European Union, and the United Nations.

A resulting statement expressed agreement to work in strategic partnership with Pakistan to combat violent extremism; develop a comprehensive approach to economic and social development; coordinate an approach to stabilizing and developing border regions; address Pakistan’s energy shortfall; and support democratic institutions.<sup>47</sup>

In April 2009, 31 countries and 18 international institutions sent representatives to an FODP/Donors’ Conference in Tokyo. There Ambassador Holbrooke announced the Administration’s intent to provide a total of \$1 billion in assistance to Pakistan over the 2009-2010 period, bringing to more than \$5 billion the total offered by the international community in addition to the \$11.3 billion International Monetary Fund package first arranged in late 2008. In the lead-up to the 2009 conference, Pakistani officials called for a “Marshall Plan” for Pakistan that would provide \$30 billion in international donations over a five-year period.

The Pakistani Ambassador to the United States is among those who called the proposed \$5.7 billion in aid “miniscule” when compared to the bailouts being provided to American automobile and other companies, a characterization that rankled some in Congress.<sup>48</sup>

At an FODP summit meeting in New York in September 2010 co-chaired by President Obama, President Zardari, and British Prime Minister Gordon Brown, the forum reiterated its central goals, but no further specifics were discussed pending more detailed Pakistani development proposals.

The FODP’s Third Ministerial Meeting took place in October 2010, when donors continued to press Pakistan to reform its economy, especially through an expansion of the tax base.<sup>49</sup>

China, an ally of Pakistan partly because of its similar distrust of India, has provided some aid and loans to Pakistan, but nothing close to the level of the United States and other major donors.

Between 2004 and 2009, China provided \$9.0 million in grant assistance and \$217 million in loans to Pakistan.<sup>50</sup> China stands to gain access to resources in Pakistan and a bigger influence in Asia, in general. China also provides a model of a successful nondemocratic country to Pakistan.

**Table 1. Direct Overt U.S. Aid and Military Reimbursements to Pakistan, FY200 1 -FY20 12**  
(appropriations, with disbursements in parentheses, rounded to the nearest millions of dollars)

Program or Account	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY201 1	FY2002-FY2011 Total	FY2012 (req.)
1206	—	—	—	—	—	28	14	56	114	—	e	212	
					8	24	49	54	47d				
CN													
	—	(1)	—	(1)	(9)	(14)	(37)	(72)	(25)	43e	63e	288	
					964								
CSFa													
	—	1,169	1,247	705b		862	731	1,019	685e	1,499	f	8,881f	
FC	—	—	—	—	—	—	—	75	25d	—	—	100	
		75	225	75	299	297	297	298	300				
FMF													
	—	(75)	(225)	(75)	(298)	(298)	(297)	(298)	(300)	294	n/a	2,160	350
		1	1	1	2	2	2	2	2				
IMET													
	—	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	5	n/a	18	5
	77	91	31	32	32	38	24	22	88f				
INCLE													
	(77)	(91)	(31)	(1)	(17)	(—)	(10)	(33)	(35)	170h	n/a	528	125
		10	1	5	8	9	10	10	13f				
NADR													
	—	(10)	(1)		(7)	(5)	(6)	(1)	(5)	24	n/a	90	23
									400				
PCF/PCCF													
	—	—	—	—	—	—	—	—	(125)	700	800	1,900	1,100
Total													



Program or Account	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2002- FY2011 Total	FY2012 (req.)
Security	77	1,346	1,505	818	1,313	1,260	1,127	1,536	1,674g	2,735	n/a	14,177	1,603
		14	16	26	21	28	22	30	33				
CSH/GHCS													
	—	(1)	(1)		(16)	(19)	(25)	(18)	(31)	30	n/a	221	2
		10	35	49	29	38	95	30					
DA													
	—	(0)	(2)	(9)	(39)	(43)	(29)	(32)	—	—	n/a	286	
	—	625	188	200c	298	337	394d	347	1,114f				
ESF													
	(3)	(602)	(190)	(206)	(203)	(218)	(269)	(86)	(209)	1,292	11	4,797	1,360
	91	41	30	22	32	55	10	50	55				
Food Aid <sup>1</sup>													
	(2)	(5)	(40)	(22)	(6)	(48)	(10)	(3)	(79)	124	51	413	
							11		—				
HRDF													
	—	1	—	2	2	1	(1)	—	(1)	—	—	17	
						70	50	50	103				
IDA													
	—	—	—	—	—	(53)	(9)	(6)	(27)	232	145	650	
	9	9	7	6	6	10	4	—	60				
MRA													
	(4)	(5)	(7)	(4)	(3)	(3)	(5)	(10)	(9)	49	—	152	
Total													
Economic	111	711	286	317	402	553	683	591	1,365g	1,727	n/a	6,536	1,362
Grand													
Total	188	2,057	1,791	1,135	1,715	1,813	1,810	2,127	3,039g	4,462	n/a	20,713	2,965

Sources: U.S. Departments of State, Defense, and Agriculture; U.S. Agency for International Development.

Abbreviations:

1206: Section 1206 of the National Defense Authorization Act (NDAA) for FY2006 (P.L. 109-163, global train and equip; Pentagon budget); CN: Counternarcotics Funds (Pentagon budget); CSF: Coalition Support Funds (Pentagon budget); CSH: Child Survival and Health (Global Health and Child Survival, or GHCS, from FY20 10); DA: Development Assistance; ESF: Economic Support Funds; FC: Section 1206 of the NDAA for FY2008 (P.L. 110-181, Pakistan Frontier Corp train and equip; Pentagon budget); FMF: Foreign Military Financing; HRDF: Human Rights and Democracy Funds; IDA: International Disaster Assistance (Pakistani earthquake and internally displaced persons relief); IMET: International Military Education and Training; INCLE: International Narcotics Control and Law Enforcement (includes border security)  
MRA: Migration and Refugee Assistance; NADR: Nonproliferation, Anti-Terrorism, Demining, and Related (the majority allocated for Pakistan is for anti-terrorism assistance); PCF/PCCF: Pakistan Counterinsurgency Fund/Pakistan Counterinsurgency Capability Fund (Pentagon budget through FY20 10, State Department thereafter)

Notes:

n/a=not available. Country allocations were not available at the time of publication.

<sup>a</sup> CSF is Pentagon funding to reimburse Pakistan for its support of U.S. military operations. It is not officially designated as foreign assistance.

<sup>b</sup> Includes \$220 million for Peacekeeping Operations reported by the State Department.

<sup>c</sup> Congress authorized Pakistan to use the FY2003 and FY2004 ESF allocations to cancel a total of about \$1.5 billion in concessional debt to the U.S. government. From FY2005-FY2007, \$200 million per year in ESF was delivered in the form of “budget support”—cash transfers to Pakistan. Such funds have been mostly “projectized” from FY2008 on.

<sup>d</sup> Includes \$110 million in Pentagon funds transferred to the State Department for projects in Pakistan’s tribal areas (P.L. 110-28).

<sup>e</sup> This funding is “requirements-based;” there are no pre-allocation data.

<sup>f</sup> Congress appropriated \$1.2 billion for FY2009 and \$1.57 billion for FY20 10, and the Administration requested \$2 billion for FY20 1 1, in additional CSF for all U.S. coalition partners. Pakistan has in the past received about 80% of such funds. FY2009-FY20 11 may thus see an estimated \$3.4 billion in additional CSF payments to Pakistan.

<sup>g</sup> Includes a “bridge” ESF appropriation of \$150 million (P.L. 110-252), \$15 million of which the Administration later transferred to INCLE. Also includes FY2009 supplemental appropriations of \$539 million for ESF, \$66 million for INCLE, and \$2 million for NADR.

<sup>h</sup> The Administration’s request for supplemental FY20 10 appropriations includes \$244 million for ESF, \$40 million for INCLE, and \$60 million for FMF funds for Pakistan. These amounts are included in the estimated FY20 10 total.

<sup>i</sup> P.L.480 Title I (loans), P.L.480 Title II (grants), and Section 416(b) of the Agricultural Act of 1949, as amended (surplus agricultural commodity donations). Food aid totals do not include freight costs.

## **FY2012 REQUEST FOR AID TO PAKISTAN AND OBJECTIVES**

The FY2012 budget request continues objectives set earlier by the EPPA and the George W. Bush Administration. According to the Obama Administration's FY2012 budget request,

The United States seeks to advance U.S. national security by deepening its long-term bilateral strategic partnership with Pakistan.... The United States will partner with Pakistan to strengthen the capacity of the democratic government to meet the needs of its citizens better by rehabilitating critical infrastructure, stabilizing key areas contested by violent extremists, and fostering private-sector-led economic growth.<sup>51</sup>

For FY2012, the Administration is requesting a total of \$2,965.0 million within the International Affairs 150 function (State-Foreign Operations Appropriations). Of this, about 46% is for economic assistance and 54% is for security assistance, including \$1.1 billion for PCCF, considered to be Overseas Contingency Operations (OCO) that is not part of the core request, but is identified by the Administration as extraordinary, temporary funding needs for frontline states. Consistent with the EPPA, the FY2012 civilian assistance will focus on four key areas: energy, stabilization, social services (especially health and education), and economic growth (including agriculture). Security assistance will focus on addressing long-term military modernization needs in Pakistan, as well as counterinsurgency and counterterrorism capabilities.

The Administration's request of funds for Pakistan continues the six objectives put forth by the Bush Administration:

- 1) Peace and Security;
- 2) Governing Justly and Democratically;
- 3) Investing in People;
- 4) Economic Growth;
- 5) Humanitarian Assistance; and
- 6) Monitoring, Evaluation, and Oversight.

Performance assessments are to be used to determine resource allocations for Pakistan in the budget and planning process in future years.<sup>52</sup>

The **Economic Support Fund (ESF)**, \$1,360 million for Pakistan in the FY2012 request, supports

- *Governing Justly and Democratically*—ESF strengthens the rule of law and human rights, supports good governance activities, building political competition and civil society. (FY2010—\$171.0 million; FY2012 request—\$145.0 million)
- *Investing in People*—ESF promotes health and education services and provides protection for vulnerable populations. (FY2010—\$608.2 million; FY2012 request—\$265.2 million)
- *Economic Growth*—ESF funds are used to build a macro foundation for growth in the economy by expanding trade and investment, improving the financial sector, building infrastructure, supporting the agricultural sector, encouraging private sector competitiveness, and expanding economic opportunity. (FY2010—\$502.5 million; FY2012 request—\$929.4 million)
- *Humanitarian Assistance*—ESF is used directly or is transferred to other accounts to assist Pakistan during humanitarian crises. (FY2010—\$10.0 million; FY2012 request—\$20.0 million)

The **Global Health and Child Survival (GHCS)**, totaling \$2 million for Pakistan in the FY2012 request, provides assistance to support

- *Investing in People*—GHCS funds support the health sector generally, as well as the National HIV/AIDS Strategy and local health nongovernmental organizations (NGOs). (FY2010—\$29.7 million; FY2012 request—\$2.0 million)

Food For Peace Title II<sup>53</sup>, none requested for Pakistan in FY2012, provides aid for

- *Humanitarian Assistance*, particularly during emergencies. (FY2010—\$96.9 million; FY2012 request—\$0)

Foreign Military Financing (FMF), \$350 million for Pakistan in the FY2012 request, provides support for

- *Peace and Security*—FMF funds are used to develop increased professionalism in Pakistan's military, promote closer ties with the United States, and complement other security-related activities such

as counterterrorism and its own defense capabilities. (FY2010—\$294.2 million; FY2012 request—\$350.0 million)

International Military Education and Training (IMET), \$5 million for Pakistan in the FY2012 request, supports

- *Peace and Security*—IMET funds support military education and training, mostly in the United States, for Pakistani military personnel and leaders to develop personal ties with their U.S. counterparts, promoting long-term respect between them. (FY2010—\$5.0 million; FY2012 request—\$5.0 million)

Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR), \$23.4 million for Pakistan in the FY2012 request, supports

- *Peace and Security*—NADR funds assist Pakistan with antiterrorism efforts and combating weapons of mass destruction. (FY2010—\$23.9 million; FY2012 request—\$23.4 million)

**International Narcotics Control and Law Enforcement (INCLE)**, \$125 million for Pakistan in the FY2012 request, contributes

- *Peace and Security*—INCLE funds support the government of Pakistan's access to the frontier areas to combat militant and criminal elements, anti-narcotic operations, and law enforcement training, particularly in the provinces. (FY2010—\$163.9 million; FY2012 request—\$116.7 million)
- *Governing Justly and Democratically*—INCLE helps Pakistan to expand the rule of law program that is jointly administered by the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) and the Department of Justice with prosecutor and judicial training. It also supports corrections programs and training in Pakistan and jail renovations. (FY20 10— \$6.1 million; FY20 12 request—\$8.3 million)

**Monitoring and Program Evaluation.** The Administration is fostering community and third-party oversight of aid programs in Pakistan. The oversight will combine with USAID monitoring and regular audits done by State and USAID Inspector Generals, the U.S. Government Accountability

Office, the Pakistan Auditor General, and Pakistani accounting firms to expand the capability of accomplishing the sixth objective

- *Performance Monitoring and Evaluation.* USAID is basing FY20 12 project choices and budgetary decisions in Pakistan on the resulting performance information.

Critics contend that many of the stated institutional and development goals of U.S. assistance to Pakistan remain largely unmet. For much of the post-2001 period, this was at least in part due to a perceived U.S. over-reliance on security-related aid, which has accounted for the great bulk of U.S. assistance to Pakistan.<sup>54</sup> Many observers argue that it would be more useful to target U.S. assistance programs in such a way that they more effectively and more directly benefit the country's citizens.

## ISSUES FOR CONGRESS

A number of issues concern many in Congress about making Pakistan one of the top U.S. aid recipients, not the least of which is preventing nuclear proliferation. Senator Kerry, chairman of the Senate Foreign Relations Committee, acknowledged at a May 2011 committee hearing that he has received recent news about “a dramatic increase in Pakistan’s nuclear arsenal that has raised U.S. and our allies’ concerns about nuclear proliferation and regional security.”<sup>55</sup> Other key issues follow.

### Conditions on Aid to Pakistan

#### *Debate Overview*

One idea long floated in foreign assistance critiques is the “conditioning” of aid to Pakistan, mainly through the creation of benchmarks and certification that they have been met. For example, in 2003, a task force of senior American South Asia watchers issued a report on U.S. policy in the region that included a recommendation to directly link U.S. support for Islamabad to that government’s own performance in making Pakistan a more “modern, progressive, and democratic state.”<sup>56</sup> Some commentators have emphasized that, to be truly effective, conditionality should be applied by many donor countries rather than just the United States and should be directed toward the

Pakistani leadership—especially the military—to the exclusion of the general public.<sup>57</sup> In the wake of political crises and deteriorating security circumstances in Pakistan in the late 2000s, some senior Members of Congress became more vocal in calling for conditions on further U.S. assistance in the absence of improvements in these areas.<sup>58</sup>

Many analysts, however, including many policymakers in the George W. Bush Administration and some in the Obama Administration, have contended that conditioning U.S. aid to Pakistan had a past record of failure and likely would be counterproductive by reinforcing Pakistani perceptions of the United States as an unreliable partner. From this perspective, putting additional pressure on an already weak Islamabad government might lead to significant political instability in Pakistan.<sup>59</sup> For numerous Pakistan watchers, a policy of enhanced cooperation and structured inducements is viewed as likely to be more effective than a policy based on pressure and threats. In a May 2011 Senate Foreign Relations hearing, ranking Member Senator Lugar stated, “American conditionalities, ‘you need to do A, B and C,’ is not necessarily helpful. What is helpful is identifying the most appropriate projects and then following through, not changing midcourse.”<sup>60</sup> One senior Washington-based analyst, a longtime advocate against placing conditions on U.S. aid to Pakistan, instead offered an admittedly modest approach: he argued for modifying current U.S. policy through more forceful private admonitions to Islamabad to better focus its own counterterrorism efforts while also targeting Taliban leadership, increasing provision of U.S. counterinsurgency technologies and training to Pakistani security forces, and establishing benchmarks for continued provision of coalition support funding.<sup>61</sup> Private admonitions are considered by some analysts to be meaningless in the absence of public consequences, however.

For Pakistanis themselves, aid conditionality in U.S. congressional legislation can raise unpleasant memories of 1985’s Pressler Amendment, which led to a near-total aid cutoff in 1990. Islamabad’s sensitivities are thus acute: in 2007, the Pakistan Foreign Ministry said aid conditions legislated in the Implementing the 9/11 Commission Recommendations Act of 2007 (P.L. 110-53) “cast a shadow” on existing U.S.-Pakistan cooperation and create linkages that “did not serve the interest of bilateral cooperation in the past and can prove to be detrimental in the future.”<sup>62</sup> Calls for further conditionality from some in Congress led Islamabad to again warn that such moves could harm the bilateral relationship and do damage to U.S. interests. Nevertheless, the State Department in 2009 reported being “comfortable” with congressional conditions and “confident” that required reports could be issued.<sup>63</sup>

After bin Laden was found in a military cantonment city not far from Islamabad, expert witnesses at a Senate Foreign Relations Committee hearing in May 2011 asserted that certification and conditionality should be taken far more seriously than they have been in the past, but that economic assistance should continue. However, Senator Carl Levin, chairman of the Senate Armed Services Committee, reportedly has suggested that he would favor a curtailment of development rather than security aid, the argument being that short-term U.S. interests in combating terrorism and Afghan insurgents trump longer-term interests in seeing Pakistan transformed into a more prosperous and democratic state.<sup>64</sup>

### ***Current Conditionality and Administration Certification***

Section 203 of The Enhanced Partnership with Pakistan Act of 2009 (P.L. 111-73) contains the most explicit and stringent conditions on U.S. assistance to Pakistan in the post-2001 period. As noted above, these substantive conditions apply only to security-related assistance for FY2011- FY2014 and arms transfers for FY2012-FY2014.<sup>65</sup> The law precludes such assistance and transfers until the Secretary of State certifies annually for Congress that

(1) the Government of Pakistan is continuing to cooperate with the United States in efforts to dismantle supplier networks relating to the acquisition of nuclear weapons-related materials, such as providing relevant information from or direct access to Pakistani nationals associated with such networks;

(2) the Government of Pakistan during the preceding fiscal year has demonstrated a sustained commitment to and is making significant efforts towards combating terrorist groups ... including taking into account the extent to which the Government of Pakistan has made progress on matters such as A) ceasing support, including by any elements within the Pakistan military or its intelligence agency, to extremist and terrorist groups, particularly to any group that has conducted attacks against United States or coalition forces in Afghanistan, or against the territory or people of neighboring countries; B) preventing al Qaeda, the Taliban and associated terrorist groups, such as Lashkar-e-Taiba and Jaish-e-Mohammed, from operating in the territory of Pakistan, including carrying out cross-border attacks into neighboring countries, closing terrorist camps in the FATA, dismantling terrorist bases of operations in other parts of the country, including Quetta and Muridke, and taking action when provided with intelligence about high-level terrorist targets; and C) strengthening counterterrorism and anti-money laundering laws; and



(3) the security forces of Pakistan are not materially and substantially subverting the political or judicial processes of Pakistan.

In apparent conflict with problematic U.S. government reporting on Pakistan's progress in these areas was a March 18, 2011, certification by Secretary Clinton required under Section 203. In the wake of revelations that Al Qaeda's founder was living in plain sight in a Pakistani city, and top U.S. military officials persistently complaining that Pakistan has failed to take action against the Haqqani network of Afghan insurgents in the FATA, this kind of certification has been met with deep skepticism and appears to many observers to be driven primarily by political considerations rather than realities on the ground.

## Government Reform

The politics of reforming Pakistan's governance process and tax structure may be among the most important obstacles to improving aid effectiveness. The United States has provided assistance in recent years to help build governance capacity in Pakistan, improve political party competition, promote participation of women and religious minorities in government, and expand rule of law training. On several occasions Secretary Clinton has pushed Pakistan on tax reform. For example, when speaking about Pakistan's flood crisis in October 2010 she said

The international community can only do so much. Pakistan itself must take immediate and substantial action to mobilize its own resources, and in particular, to reform its economy. The most important step that Pakistan can take is to pass meaningful reforms that will expand its tax base. The government must require that the economically affluent and elite in Pakistan support the government and people of Pakistan.... It is absolutely unacceptable for those with means in Pakistan not to be doing their fair share to help their own people while taxpayers of Europe, the United States, and other contributing countries are all chipping in to do our part.<sup>66</sup>

Secretary Clinton is one of several top U.S. officials critical of Pakistan's 9% tax-to-GDP ratio, one of the lowest in the world. For most observers, this represents what essentially is mass tax evasion by the country's economic elite, and is exacerbated by a federal budget overemphasizing military

spending. The government has in recent months been pursuing a Reformed General Sales Tax initiative, but to date has found it difficult to win sufficient parliamentary support for what are considered modest changes.

The energy sector provides another representative example of needed government reform. International donors have for many years pressed Pakistani leaders to reduce price subsidies on electricity, without success. In the words of one group of aid experts,

Time and again, project documents cite the *same* problems, the donors recommend the *same* solutions, the government of Pakistan promises to implement the *same* reform, the government breaks (and donors lament) the *same* promises. Meanwhile, the basic politics maintaining the status quo have not changed—there are too many reaping the benefits of subsidized power, and ordinary consumers feel they aren't getting service that warrants paying more.<sup>67</sup>

Pakistan's prime minister contends that his government is firmly committed to economic reforms, but asks donors to "kindly be patient" with this "work in progress."<sup>68</sup> Nevertheless, there is a resistance to long-term policy reform in Pakistan which may counter any progress U.S. aid achieves.

## Corruption and Transparency Issues

Corruption is endemic to South Asia and to Pakistan in particular. It presents a persistent and serious problem for the national economy, harming both domestic and foreign investment rates, as well as creating skeptical international aid donors. For 2010, Berlin-based Transparency International (an organization that tracks global corruption trends) placed Pakistan 143<sup>rd</sup> out of 178 countries in its annual ranking of world corruption levels, giving it a lower ranking than such countries as Nigeria and Bangladesh, among others.<sup>69</sup> A September 2010 agreement between the U.S. government and Transparency International (TI) established a hotline through which people can report any misuse of U.S. assistance funds. TI subsequently contended that its workers in Pakistan have faced threats and harassment, and there were even reports that the Islamabad government planned legal action against TI for allegedly paying bribes to officials to extract information.<sup>70</sup>

Corruption and lack of sufficient transparency is identified as a key obstacle to effective implementation of U.S. aid programs in Pakistan, and has drawn significant attention in Congress. A June 2009 House hearing addressed

what one senior Member called the “serious accountability and transparency concerns that have plagued U.S. programs and operations in both Afghanistan and Pakistan for the past seven years.” At the hearing, Administration witness Ambassador Holbrooke expressed his support for expanding the responsibilities of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to monitor U.S. aid programs in Pakistan.<sup>71</sup> At a subsequent House hearing on potential fraud and waste in U.S. aid to Pakistan and Afghanistan, a senior House Member expressed “serious concerns about the [U.S. aid] community’s ability to provide comprehensive coverage that keeps pace with the rapid boom in U.S. activities in the region.”<sup>72</sup> During an April 2010 hearing on security and stability in Pakistan, the chairman of the House Armed Services Committee acknowledged that the Administration had developed “good metrics” for tracking progress in Pakistan, but expressed being disappointed that insufficient information was being provided to Congress.<sup>73</sup>

Ambassador Robin Raphael, the U.S. Coordinator for Economic and Development Assistance in Pakistan, vowed in mid-2009 that the United States will employ the “highest standards of accountability” in efforts to minimize future administrative outlays.<sup>74</sup> While such efforts are no doubt sincere, evidence of improvements is scarce nearly two years later. Moreover, U.S. funds to the government of Pakistan for budget support are comingled with other resources, according to a 2010 U.S. Inspectors General report, contributing to further ongoing accountability and reporting challenges.<sup>75</sup>

A reliance on foreign contractors may have fueled significant resentment among Pakistanis who saw them as enriching themselves with aid dollars.<sup>76</sup> According to skeptics, large-scale U.S. aid only engenders Pakistani corruption and has allowed Islamabad to boost its India-oriented military capabilities in ways that would not have otherwise been possible. Corruption concerns reportedly have led to resentment in Pakistan, where some officials feel slighted after launching a vigorous and risky campaign against militants.<sup>77</sup> There are concerns that consulting fees and administrative overhead account for a large proportion of appropriated aid, meaning large sums may never reach the people they are meant to benefit.<sup>78</sup> It is claimed that roughly half of all U.S. assistance pledged for Pakistan is spent on administrative costs, including highly paid foreign experts, thus forwarding the argument that aid flows would be more effective if channeled through Pakistani agencies.<sup>79</sup> Pakistani officials have tended to agree with those in the United States who believe that administrative costs can be reduced by channeling U.S. aid primarily through Pakistani government agencies rather than through NGOs.<sup>80</sup>

Under Ambassador Holbrooke's guidance, the State Department in late 2009 made plans to significantly scale back its use of U.S. aid contractors in Pakistan and begin channeling more money directly to Pakistani officials and local groups.<sup>81</sup> This shift has not come without resistance from some quarters, with analysts warning that Pakistan's civilian bureaucracies do not have sufficient capacity to be effective implementing partners.<sup>82</sup>

A 2011 GAO report determined that, as of the end of 2010, only about \$180 million of the some \$1.5 billion appropriated for civilian assistance to Pakistan in FY2010 had been disbursed, meaning that the full impact of such aid could not be determined. The report listed substantive risk mitigation strategies undertaken by USAID in its shift to increased reliance upon local and Pakistani government implementing partners—now reportedly accounting for roughly half of FY2010 economic assistance disbursements—while also recommending executive action going forward:

To help prevent waste, fraud, and abuse of U.S. funds, it is important that USAID effectively implement and monitor efforts to address the weaknesses and enhance the capacity of these [local] organizations, particularly those that are identified as having a high-risk or medium-risk of not meeting standards for managing U.S. funds.... To enhance the accountability of U.S. civilian assistance to Pakistan, we recommend that the USAID Administrator should ensure that U.S. assistance to Pakistani organizations identified as high- or medium-risk be provided through contracts, grants, or agreements that require these organizations to address weaknesses identified in their preaward assessment that would improve the accountability of funds. These measures can include such steps as implementing a conflict of interest policy, recruiting more qualified internal audit and procurement staff, embedding approved CPA staff, and participating in a capacity-building program.<sup>83</sup>

Some analysts warn that corruption and lack of capacity in Pakistan's government led to a "shambolic" response to the mid-2010 floods, and they contend that an absence of working democratic institutions results in the unnecessary waste of billions in foreign aid, aid that is used much more effectively on a per-dollar basis in similarly poor, but more democratic countries. These analysts recommend curtailing unconditioned aid flows and instead channeling assistance through international escrow accounts accessible only to an Islamabad government that meets objective criteria.<sup>84</sup> In a sign that oversight of its assistance to Pakistan was becoming more stringent, USAID in late 2010 suspended a U.S.-based nonprofit organization from receiving new

awards pending an investigation into “evidence of serious corporate misconduct, mismanagement, and internal controls.”<sup>85</sup>

Problems with USAID-run programs appear to persist. A February 2011 report issued by the Inspectors General of USAID, State, and the Pentagon addressed in some detail USAID’s improved oversight and monitoring of its programs, especially though the conducting of pre- award assessments of local implementing partners, and with the establishment of oversight entities to ensure that aid funds are protected against waste and theft. However, it also found that, during the period October-December 2010, two audited U.S. aid development programs in the FATA “had made little progress” in achieving their goals. While sections of the report on “risk and mitigation strategies” and “oversight status” listed numerous initiatives meant to ensure better aid management, the auditors identified a considerable lack of progress overall: “We believe that USAID has an imperative to accumulate, analyze, and report information on the results achieved under its programs. One year after the launch of the civilian assistance strategy in Pakistan, *USAID has not been able to demonstrate measureable progress*” [emphasis added].<sup>86</sup>

### Aid Delivery and Security Concerns

Security concerns in Pakistan raise several issues, including the inability of American aid workers to deliver aid and therefore the need to have Pakistani institutions handle much of the delivery; the difficulty in monitoring and evaluating the effectiveness of the aid; and the security risks associated with showing the American flag or labeling the aid as coming from the American people. Security concerns continue to hamper implementation of many foreign assistance programs, especially in the KP and FATA regions. In mid-2010, the U.S.-based Mercy Corps agency halted operations and shut nearly 50 offices due to security issues in both Sindh and Baluchistan. Similarly, World Food Program operations in northwest Pakistan were temporarily halted in December 2010 after a suicide bomb attack at a Bajaur food station killed 46 people.<sup>87</sup> Along with such direct attacks on NGO operations, more general Pakistani public perceptions of NGOs may not be favorable.<sup>88</sup>

Because of militant attacks, the Pakistani army’s public works division is carrying out numerous U.S. aid projects in the form of roads, water, and electricity in South Waziristan. A senior Pakistani government official in the region said that the projects have gained support, but it is too dangerous to put

any USAID logos on them because of possible reprisals against the workers. A tribal elder in the region said that while locals support the road between the towns of Tank and Makin, they don't like America any more as a result.<sup>89</sup>

### U.S. Image and Public Diplomacy

There exists a widely held view that substantial, long-term development assistance is the only way to win hearts and minds in Pakistan, and that this must be delivered predictably and through transparent processes that are in large part prioritized and monitored by locals.<sup>90</sup> Some studies support the argument that donor countries can reap public diplomacy benefits, perhaps especially through humanitarian aid. A study of the relationship between foreign disaster assistance following Pakistan's 2005 earthquake and local attitudes found evidence that trust of foreigners was measurably increased in areas closest to the fault-line: "The results provide a compelling case that trust in foreigners is malleable, responds to humanitarian actions by foreigners and is not a deeply-rooted function of local preferences."<sup>91</sup> In 2010, there were reports of U.S. public diplomacy benefits resulting from the provision of flood relief in Swat and other areas.<sup>92</sup>

A rebuttal to these conclusions contends there is very little evidence that humanitarian or development assistance is effective in promoting greater stability or improved public perceptions of the United States in Pakistan, and it offers a warning that "greater instrumentalization and securitization of aid" give the military too large a role in the humanitarian and reconstruction sectors.<sup>93</sup> In one anecdotal example of the apparent failure of aid to bring meaningful public diplomacy benefits, following U.S. demonstrations of goodwill after mid-2010 floods killed thousands of Pakistanis and affected some 20 million others, victims who received aid from a local organization funded by USAID did not change their views of the United States, with one saying, "I like America's money, but I don't like their bullets. It is fair enough that they are fighting the Taliban, but they kill too many innocent civilians."<sup>94</sup> This attitude may be partially explained by the many Pakistanis who are ill-informed about levels of U.S. assistance to their country and express being unaware of any benefits, as well. The perception gap to an extent may have resulted from the portions of aid lost to corruption and the lack of labeling of aid as coming from America in some provinces due to security concerns.<sup>95</sup>

Some reports have U.S. officials seeking greater public diplomacy benefits by pressing international aid groups to more prominently advertise the

source of the goods and services they provide. Ambassador Holbrooke was himself among those expressing concern that the United States was not receiving sufficient credit for its assistance efforts. Yet many of those groups are reluctant, fearing that such visibility would make them targets for militants; 11 of them penned a letter to USAID asking that requirements on use of U.S. government labels be reconsidered.<sup>96</sup> At the same time, to maximize aid effectiveness and sustainability, and incur faith by the people in their government, USAID/Pakistan is “committed to providing assistance through Pakistani institutions.”<sup>97</sup>

Pervasive anti-American sentiment related largely to the drone attacks that Pakistanis say also kill numerous civilians has led the U.S. government to minimize its “footprint” when providing aid in certain regions, especially those bordering Afghanistan. This has meant that some projects are conducted in ways similar to covert operations under the cover of Pakistani government agencies. Although such an approach facilitates delivery of aid, public diplomacy gains can be sacrificed when aid beneficiaries are unaware of the origin of the assistance they are receiving. Because development of Pakistan’s tribal areas is identified as a key U.S. national security goal in and of itself, such costs may be considered acceptable.

### **Possible Adjustments to U.S. Assistance Programs**

In a response to the Administration’s December 2009 Pakistan Assistance Strategy, a report by a large coalition of U.S.-based international nongovernmental organizations (INGOs) lauded the new U.S. approach while also presenting numerous recommendations meant to ensure greater accountability and effectiveness in U.S. civilian aid to Pakistan:

- Rather than focusing on conflict-affected areas only, U.S. investments in social services would realize greater long-term effectiveness by being geographically targeted to all underserved areas, and not favor only areas of “short-term strategic military and political importance.”
- An emphasis on “high-impact, high-visibility” infrastructure programs should be balanced with “the development of human capital at the local level through sustainable, albeit low-visibility programs.”
- Using Pakistan as an “experimental pilot” for transitioning away from INGOs and relying instead on local and national government and civil society organizations as aid implementers may be ill-advised in the

absence of careful planning informed by a review of lessons learned from past efforts.

- In order to be sustainable in the long term, aid programs should have Pakistani ownership and sufficient accountability and oversight.
- Because audit reports produced by accounting firms are not always the best means of uncovering corruption, the Administration should establish an independent public watchdog “to keep Pakistani funding transparent and in the public eye.”
- While local ownership is to be encouraged, Pakistani implementing partners may lack the capacity to handle an aid package of this magnitude, and may also lose credibility if viewed as being instruments of U.S. policy. Thus, the U.S. government should “think creatively about options for oversight and accountability” of Pakistani partners so as to avoid compromising their legitimacy.
- Implementation of civilian aid programs is best facilitated by conceptually divorcing such programs from the language and objectives of counterinsurgency.

Further recommendations include strengthening existing coordination mechanisms, assuring flexible funding to meet humanitarian emergencies, developing a clear public relations strategy, and providing the NGO community with consistent and clear communication.<sup>98</sup>

### **Other Aid Issues**

Several other concerns regarding the effectiveness and long-term results of U.S. aid in Pakistan are noted and being addressed by USAID, including<sup>99</sup>

- Pakistan’s vulnerability to natural disasters such as earthquakes and floods creates emergencies that cause development aid to be reprogrammed to meet recurring critical needs. USAID supports surface water management and dam projects to mitigate flooding.
- Environmental concerns. Some development projects such as certain sections of roads, dams, etc. are prone to producing adverse environmental impacts that may solve one problem but create others. Assessments may be required before certain projects are begun.

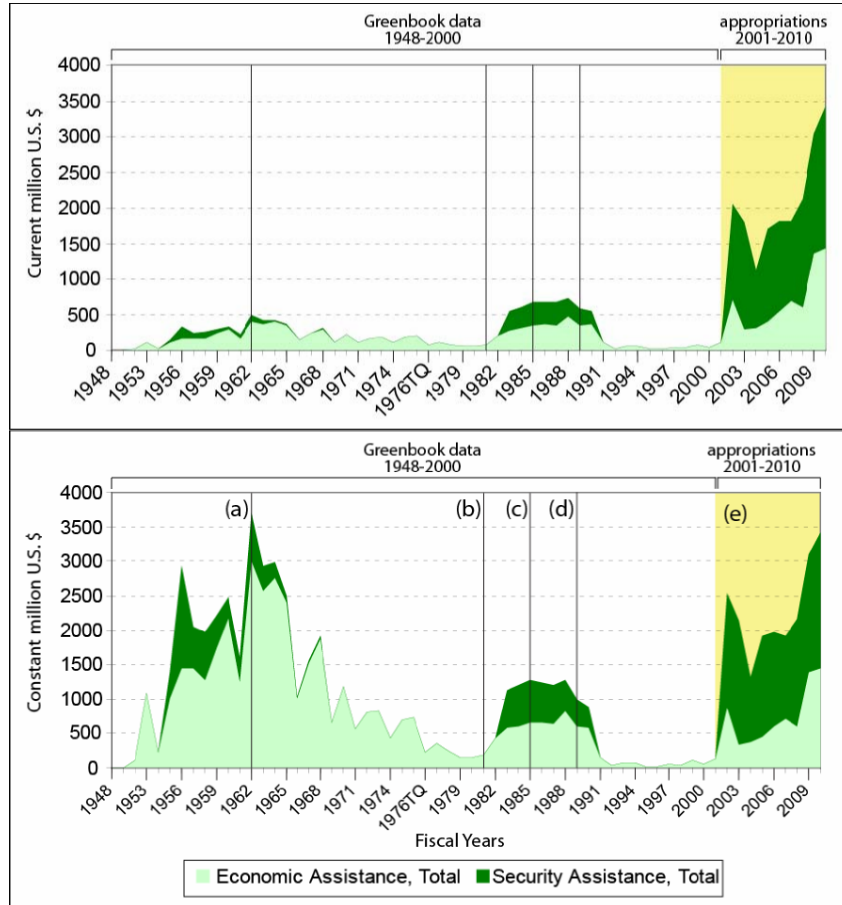


- A high turnover rate with the leadership in the Pakistani government's agricultural sector, which disrupts projects, has led to requirements to ensure continuity of key personnel.
- Terrorist threats in the United States—an attack on U.S. soil, but planned in Pakistan—could have damaging effects on the U.S.–Pakistan bilateral relationship and aid program, as has the suspicion of the role Pakistan's military may have played in protecting bin Laden.
- Limited institutional capacity in Pakistan, especially in the FATA, Khyber Pakhtunkhwa, and Baluchistan, to implement aid projects or deliver aid could result in lost resources, theft, and a general inability to manage large amounts of funding. USAID is supporting technical advisors and units within government ministries, providing training in accounting and auditing for greater transparency and accountability. USAID is also collaborating with Pakistan to create a fraud hotline and education program.

## CONCLUSION

Despite the major May 2011 embarrassment for Pakistan—and especially its security services—in the appearance of complicity or gross incompetence with regard to the circumstances of Osama bin Laden's death, many U.S. government and independent analysts continue to assert that U.S. strategic interests are inextricably linked with a stable Pakistan that can effectively rule all its territory, assist the United States with the war in Afghanistan as well as with the fight against terrorism, and contribute to the stability in the region. While there exist numerous concerns about whether Pakistan can be accountable in how it uses U.S. aid and whether it will pursue needed reforms, these observers emphasize the importance of maintaining a close bilateral engagement, with an eye toward encouraging and facilitating Pakistani democratization. Given the current budgetary constraints facing the United States and the recent strained relationship, the 112<sup>th</sup> Congress may question the return on such large investments in Pakistan, the second-largest U.S. aid recipient. Lawmakers will seek the right balance between U.S. aid expenditures to promote U.S. national security interests in Pakistan and the region versus belt-tightening foreign aid cuts and accountability measures to address the lack of trust between the two governments.

### APPENDIX A. HISTORY OF U.S. AID TO PAKISTAN

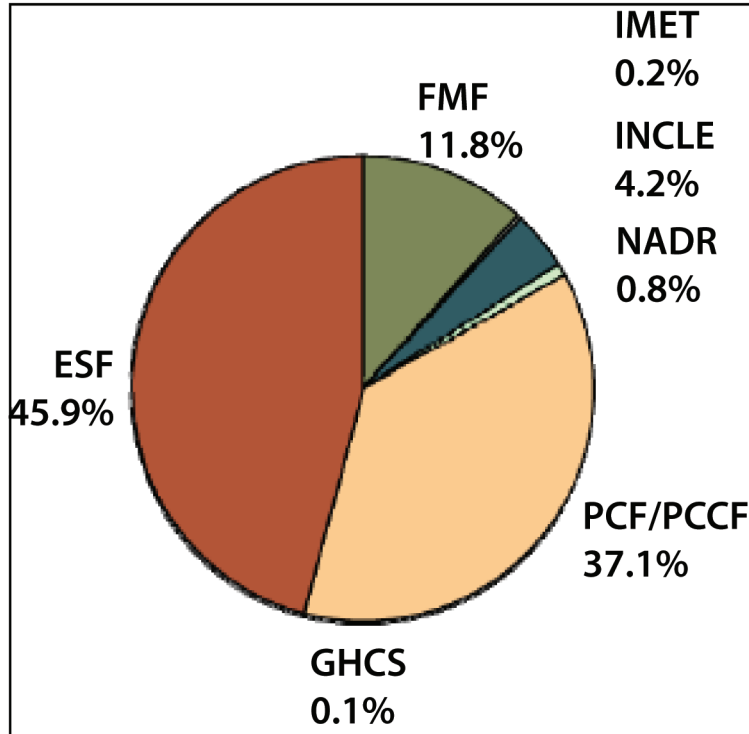


Source: U.S. Overseas Loans and Grants (Greenbook), U.S. Agency for International Development, The Department of State’s Congressional Budget Justifications, FY2002-FY2012, and CRS calculations.

Notes: Figures 1948-2000 = obligations; 2001-2010 = appropriations. (a) 1962 Peak aid. Pakistan aligned with West; signed two defense pacts. (b) 1981 Reagan administration negotiated five year \$3.2 billion security economic aid package with Pakistan. (c) 1985 Pressler Amendment, Reagan and George H. W. Bush certified Pakistan to get aid until 1990. (d) 1989 - Soviet Army withdrew from Afghanistan. George H. W. Bush suspended aid in 1990 because of Pakistan’s nuclear activities. Aid lowest in 1990s. (e) Post 9/11 aid to Pakistan.

Figure A-1. U.S. Aid in Current and Constant Dollars.

**APPENDIX B.**  
**CURRENT YEAR REQUEST**



Source: The Department of State Congressional Budget Justification, FY20 12 and CRS calculations.

Notes: Includes only aid from the State-Foreign Operations Appropriation Request. Defense Department funds for FY20 12 are not yet available.

ESF=Economic Support Fund;

FMF=Foreign Military Financing;

IMET=International Military Education and Training;

INCLE=International Narcotics Control and Law Enforcement;

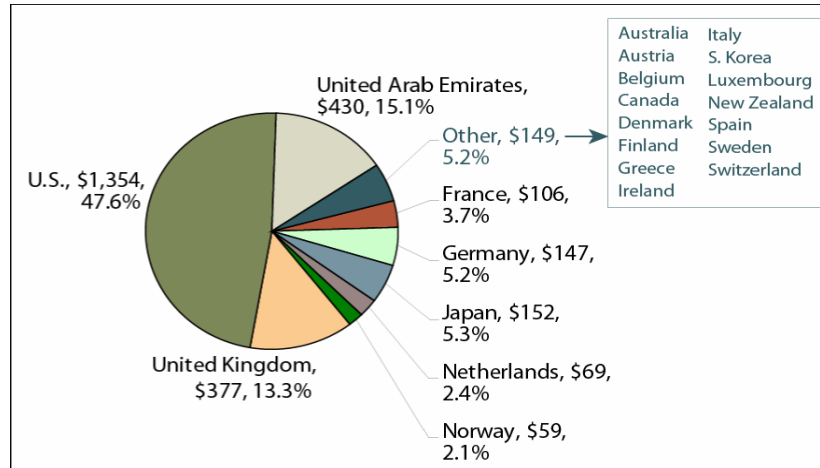
NADR=Nonproliferation, Anti-terrorism, Demining, and Related Programs;

PCF/PCCF=Pakistan Counterinsurgency Fund/Pakistan Counterinsurgency Capability Fund; and

GHCS=Global Health and Child Survival.

Figure B- 1. FY20 12 Budget Request for Aid to Pakistan.

## APPENDIX C. MAJOR DONOR BILATERAL DEVELOPMENT ASSISTANCE TO PAKISTAN, CY2009



Source: Organization for Economic and Development Cooperation, OECD/DAC International Development Statistics Online, prepared by USAID Economic Analysis and Data Services, May 4, 2011.

Notes: In addition to bilateral development assistance, in 2009 Pakistan received \$2.6 billion from multilateral agencies, including the World Bank's International Development Association—\$1.9 billion, European Union Institutions—\$279 million, and the Asian Development Fund—\$249 million.

Figure C- 1 .Official Development Assistance to Pakistan, by Donor (In Millions of U.S. \$ and percentages).

## APPENDIX D. PRINCIPLES AND PURPOSES OF THE ENHANCED PARTNERSHIP WITH PAKISTAN ACT OF 2009

### Principles

- 1) Pakistan is a critical friend and ally to the United States and share goals of combating terrorism, firmly establishing democracy and rule of law , and promoting social and economic development in Pakistan;
- 2) U.S. aid to Pakistan is to supplement, not replace, Pakistan's own efforts;

- 3) The United States requires a balanced, countrywide strategy that provides aid throughout the country;
- 4) The United States supports Pakistan's struggle against extremism and recognizes its sacrifices in this regard;
- 5) The United States intends to work with the Government of Pakistan
  - to build mutual trust by strengthening mutual security, stability, and prosperity of both countries;
  - to support the people of Pakistan and democracy there, including strengthening its parliament, judicial system, and rule of law in all provinces;
  - to promote sustainable long-term development and infrastructure projects, including healthcare, education, water management, and energy programs;
  - to ensure all people of Pakistan have access to public education;
  - to support curricula and quality of schools throughout Pakistan;
  - to encourage public-private partnerships in Pakistan to support development;
  - to expand people-to-people engagement between the United States and Pakistan;
  - to encourage capacity to measure program success and increase accountability;
  - to help Pakistan improve its counterterrorism financing and anti-money laundering;
  - to strengthen Pakistan's counterinsurgency/counterterrorism strategy to prevent any territory of Pakistan from becoming a base for terrorist attacks;
  - to aid in Pakistan's efforts to strengthen law enforcement and national defense forces under civilian leadership;
  - to have full cooperation on counterproliferation of nuclear weapons;
  - to assist Pakistan in gaining control and addressing threats in all its areas and along its border; and
  - to explore ways to consult with the Pakistani-American community.

### **Purposes of Democratic, Economic, and Development Assistance**

- 1) To support democratic institutions in Pakistan to strengthen civilian rule and long-term stability;

- 2) to support Pakistan's efforts to expand rule of law, build capacity, transparency, and trust in government, and promote internationally recognized human rights;
- 3) to support economic freedom and economic development in Pakistan such as investments in water resource management systems, expansion of agricultural and rural development (i.e., farm-to-market roads), and investments in energy;
- 4) to invest in people, particularly in women and children, regarding education, public health, civil society organizations, and to support refugees; and
- 5) to strengthen public diplomacy to counter extremism.

### **Purposes of Security Assistance**

- 1) To support Pakistan's paramount national security need to fight and win the ongoing counterinsurgency within its borders;
- 2) to work with the Pakistani government to improve Pakistan's border security and control and help prevent any Pakistani territory from being used as a base or conduit for terrorist attacks in Pakistan, or elsewhere;
- 3) to work in close cooperation with the Pakistani government to coordinate action against extremist and terrorist targets; and
- 4) to help strengthen the institutions of democratic governance and promote control of military institutions by a democratically elected civilian government.

### **End Notes**

<sup>1</sup> For broader discussion of U.S.-Pakistan relations, see CRS Report R41307, *Pakistan: Key Current Issues and Developments*, and CRS Report R41832, *Pakistan-U.S. Relations: A Summary*, both by K. Alan Kronstadt.

<sup>2</sup> Data in this paragraph from IMF World Economic Outlook Database, April 2011; USAID, "U.S. Assistance to Pakistan – Sectoral Working Papers;" NCTC Worldwide Incidents Tracking System.

<sup>3</sup> Speaker Boehner said the present circumstances call for "more engagement [with Pakistan], not less." Senator Kerry said, "Going forward, we have to act thoughtfully and, no matter what, we have to remember the big picture, the larger strategic interest, and the full nature of this relationship with Pakistan." Senator Levin said, "In terms of the military aid ... support for that will depend on how Pakistan answers some of these questions, which need to be asked,

about the presence of bin Laden in such a central location.” Senator Lieberman said, “This is going to be a time of real pressure [on Pakistan] to basically prove to us that they didn’t know that bin Laden was there.” (Boehner quoted in “Boehner: US Should Not Back Away From Pakistan,” *Associated Press*, May 3, 2011; Kerry’s May 5, 2011, statement at <http://foreign.senate.gov/press/chair/release/?id=def2d12c-8ec5-479d-ac70-99b371633dfd>; Levin and Lieberman quoted in “After Bin Laden, Pakistan May Be Greatest Casualty,” *Reuters*, May 2, 2011.

- <sup>4</sup> See “Pakistan Military Aid Safer Than the Economic Aid,” *The Cable* (ForeignPolicy.com), May 11, 2011.
- <sup>5</sup> See the U.S. Embassy’s May 16, 2011, statements at <http://islamabad.usembassy.gov/pr-110516001.html> and <http://islamabad.usembassy.gov/pr-media051611.html>.
- <sup>6</sup> “President’s Address at Royal United Services Institute, London,” January 25, 2008.
- <sup>7</sup> Asif Ali Zardari, “Partnering With Pakistan” (op-ed), *Washington Post*, January 28, 2009.
- <sup>8</sup> “Pakistan’s Gilani visits ally Beijing Amid US Rift,” *Associated Press*, May 16, 2011.
- <sup>9</sup> The Foreign Operations FY2005 Appropriations bill (P.L. 108-447) established a new “base program” of \$300 million for military assistance for Pakistan.
- <sup>10</sup> ESF is a bilateral economic assistance program employed to advance U.S. strategic and political interests through the use of foreign aid.
- <sup>11</sup> See <http://www.usaid.gov/pk/sectors/fata>.
- <sup>12</sup> Statement of Acting Deputy USAID Administrator James Kunder before the Senate Foreign Relations Committee, December 6, 2007.
- <sup>13</sup> “Doubts Engulf an American Aid Plan for Pakistan,” *New York Times*, December 25, 2007; “US Aid ‘Failing to Reach Target,’” *BBC News*, May 16, 2008.
- <sup>14</sup> “U.S. Aims to Turn Hostile Pakistani Tribes Friendly,” *Reuters*, January 30, 2008.
- <sup>15</sup> “Violence Mars US Aim to Win Hearts, Minds,” *Associated Press*, February 27, 2009.
- <sup>16</sup> “Pakistan: Countering Militancy in FATA,” International Crisis Group Asia Report No. 178, October 21, 2009, at <http://www.crisisgroup.org/home/index.cfm?id=6356>.
- <sup>17</sup> Testimony before the House Oversight and Government Reform Subcommittee on National Security and Foreign Affairs, “U.S. Aid to Pakistan (Part II): Planning and Accountability,” March 16, 2010.
- <sup>18</sup> Sen. Kerry’s September 24, 2009, release at <http://kerry.senate.gov/cfm/record.cfm?id=318241>; Rep. Berman’s September 30, 2009, release at [http://www.internationalrelations.house.gov/press\\_display.asp?id=659](http://www.internationalrelations.house.gov/press_display.asp?id=659); Secretary Clinton’s October 6, 2009, remarks at <http://www.state.gov/secretary/rm/2009a/10/130314.htm>.
- <sup>19</sup> “PML-N Asks Govt to Present Kerry-Lugar Bill in Parliament,” *News* (Karachi), September 29, 2009; “Kerry-Lugar Bill Interference in Pakistan’s Affairs: ANP,” *Daily Times* (Lahore), October 11, 2009.
- <sup>20</sup> “LHCBA Passes Resolution Condemning Kerry-Lugar Bill,” *Daily Times* (Lahore), October 1, 2009.
- <sup>21</sup> Ayaz Amir, “Kerry-Lugar: Bill or Document of Surrender?” (op-ed), *Daily Times* (Lahore); “Imtiaz Gul, ‘Kerry- Lugar Aimed at Dispiriting the Army?’” (op-ed), *Friday Times* (Lahore), both October 2, 2009.
- <sup>22</sup> See the October 7, 2009, ISPR release at [http://www.ispr.gov.pk/front/main.asp?o=t-press\\_release&date=2009/10/7](http://www.ispr.gov.pk/front/main.asp?o=t-press_release&date=2009/10/7); “U.S. Aid Package Riles Pakistan’s Army,” *New York Times*, October 8, 2009.
- <sup>23</sup> See the SFRC’s October 9, 2009, release at <http://kerry.senate.gov/cfm/record.cfm?id=318845>.
- <sup>24</sup> See the State Department’s October 30, 2009, release at <http://www.state.gov/secretary/rm/2009a/10/131103.htm>.

- <sup>25</sup> “Pakistan Aid Places U.S. in the Midst of a Divide,” *New York Times*, October 13, 2009.
- <sup>26</sup> Appearing before both Senate and House panels in May 2009, Secretary of Defense Gates urged Congress to quickly provide significant new counterinsurgency funding for Pakistan, arguing that the newly authorized PCF/PCCF should be overseen by U.S. military commanders rather than by State Department civilians. Yet many in Congress voiced doubts about the wisdom of creating a major new stream of military funding under Pentagon oversight, as such aid traditionally has been subject to Foreign Assistance Act restrictions. When the House Appropriations Committee took up the issue, its members determined to place PCCF oversight in the hands of the State Department after FY20 10, a plan then endorsed by the full House (“Gates Pushes Congress to Boost Pakistan Aid,” *Washington Post*, May 1, 2009; “Democrats Steer Pakistan Security Account to State,” Associated Press, May 7, 2009).
- <sup>27</sup> “Pakistan Army Accused of Extrajudicial Killings, Human Rights Abuses,” *Washington Post*, April 5, 2010; “Pakistan Holding Thousands in Indefinite Detention, Officials Say,” *Washington Post*, April 21, 2010. When asked directly during a June 2010 Senate Appropriations Committee hearing, Secretary Gates assured Congress that his department was working to ensure that the “Leahy Law” is being implemented in both Pakistan and Afghanistan (statement of Secretary of Defense Robert Gates before the Senate Appropriations Committee, June 16, 2010).
- <sup>28</sup> “Pakistani Army Chief Orders Video Inquiry,” *New York Times*, October 7, 2010; “Pakistani Troops Linked to Abuses Will Lose U.S. Aid,” *New York Times*, October 22, 2010; “Disappearances With Reported Ties to Pakistan Worry U.S.,” *New York Times*, December 30, 2010.
- <sup>29</sup> Statement before the Senate Armed Services Committee, February 6, 2008.
- <sup>30</sup> See <http://www.gao.gov/new.items/d08806.pdf>. See also “Pentagon Puts Brakes on Funds to Pakistan,” *Los Angeles Times*, May 7, 2008.
- <sup>31</sup> “Pakistani Military ‘Misspent Up to 70% of American Aid,’” *Guardian* (London), February 28, 2008; “Revamping Aid to Pakistan is Expected in Bush Report,” *New York Times*, December 7, 2008. In mid-2008, the leader of Pakistan’s ruling party, now-President Zardari claimed, without providing evidence, that, as president, Pervez Musharraf had been passing only a fraction of the funds over to the Pakistani military, leaving some \$700 million of reimbursements per year “missing” (quoted in “Where’s the Money?,” *Sunday Times* (London), August 10, 2008).
- <sup>32</sup> See the State Department’s March 2, 2010, release at <http://www.state.gov/p/sca/rls/rmks/2010/137693.htm>; statement of General James Mattis in “House Armed Services Committee Holds Hearing on the Proposed Fiscal 2012 Budget for the Defense Department’s U.S. Central Command and U.S. Special Operations Command,” CQ Transcripts, March 3, 2011.
- <sup>33</sup> By this account, Pakistan has “routinely” submitted “unsubstantiated” or “exaggerated” claims, and denial rates have climbed from less than 2% in 2005 to 44% in 2009 (“U.S. Balks at Pakistani Bills,” *Wall Street Journal*, May 17, 2011).
- <sup>34</sup> The first of the new F-16s were delivered in June 2010, when three aircraft were inducted into the Pakistani Air Force at the Shabaz Air Base near Jacobabad. A fourth delivery saw five more planes delivered in December, representing “near completion” of the new Block 52 squadron (all 18 aircraft are set to be delivered by January 2012) (see the U.S. Embassy’s December 13, 2010, release at <http://islamabad.usembassy.gov/pr-10121309.html>).
- <sup>35</sup> Figures reported by the U.S. Department of Defense. See also CRS Report RS22757, *U.S. Arms Sales to Pakistan*.



- <sup>36</sup> The Omnibus Appropriations Act, 2009 (P.L. 111-8), limits FY2009 Foreign Military Financing for Pakistan to counterterrorism programs only, and it bars the Administration from using such funds for any programs initially funded under Section 1206 of the 2006 defense authorization (P.L. 109-163), which pertains to Pentagon programs for training and equipping foreign military forces.
- <sup>37</sup> Of the \$2.1 billion, about \$1.2 billion was used to upgrade P-3C maritime patrol aircraft and F-16 combat aircraft, and for the purchase of TOW anti-tank missiles and launchers.
- <sup>38</sup> See, for example, the Pentagon's June 28, 2006, notification at [http://www.dsca.osd.mil/PressReleases/36-b/2006/Pakistan\\_06-09.pdf](http://www.dsca.osd.mil/PressReleases/36-b/2006/Pakistan_06-09.pdf).
- <sup>39</sup> F-16 aircraft are reported by some to be effective in Pakistan's counterinsurgency efforts, with improved training and enhanced capabilities allowing for more precise targeting resulting in fewer civilian casualties (see the December 17, 2009, statements of a Pentagon official at <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4528>); State's release at <http://2001-2009.state.gov/p/sca/rls/rm/2007/97946.htm>.
- <sup>40</sup> "U.S. Says Pakistan Made Changes to Missiles Sold for Defense," *New York Times*, August 30, 2009; Foreign Ministry's August 30, 2009, release at [http://www.mofa.gov.pk/Press\\_Releases/2009/Aug/PR\\_335\\_09.htm](http://www.mofa.gov.pk/Press_Releases/2009/Aug/PR_335_09.htm).
- <sup>41</sup> "Aid to Pakistan 'Invariably Directed' Against India - Minister," BBC Monitoring South Asia, August 17, 2009; Gurmeet Kanwal, "US Arms Sales Are Propping Up Pakistan as a Regional Challenger," Institute for Defense Studies and Analysis (New Delhi), February 11, 2010.
- <sup>42</sup> "Pakistan Wants Combat Copters," *Washington Times*, June 16, 2010; author interviews with Pentagon officials.
- <sup>43</sup> See the November 15, 2010, CNN transcript at <http://transcripts.cnn.com/TRANSCRIPTS/101115/kl.01.html>.
- <sup>44</sup> See the notification at [http://www.dsca.osd.mil/PressReleases/36-b/2010/pakistan\\_10-28.pdf](http://www.dsca.osd.mil/PressReleases/36-b/2010/pakistan_10-28.pdf).
- <sup>45</sup> See "Reforming Pakistan's Criminal Justice System," International Crisis Group Asia Report No. 196, December 6, 2010.
- <sup>46</sup> "Reforming Pakistan's Police," International Crisis Group Asia Report No. 157, July 14, 2008.
- <sup>47</sup> See State's September 26, 2008, release at <http://2001-2009.state.gov/r/pa/prs/ps/2008/sept/110353.htm>.
- <sup>48</sup> "Pakistan Asks U.S. for 30 Billion Dollar 'Marshall Plan' to Stabilize Region" (interview), *Washington Times*, April 8, 2009.
- <sup>49</sup> "Friends Tell Pakistan to Shape Up in Exchange for Aid," *Daily Times* (Lahore), October 16, 2010.
- <sup>50</sup> The Center for Global Development, *Pakistan Aid Facts*, by Wren Elhai, August 26, 2010. [http://blogs.cgdev.org/mca-monitor/2010/08/pakistan-aid-facts.php?utm\\_source=nl\\_weekly](http://blogs.cgdev.org/mca-monitor/2010/08/pakistan-aid-facts.php?utm_source=nl_weekly)
- <sup>51</sup> The Congressional Budget Justification, FY20 12, Department of State, p. 660.
- <sup>52</sup> The following information is based on details provided by the FY20 12 Department of State's Congressional Budget Justification, Foreign Operations, Vol. II, pp. 660-675.
- <sup>53</sup> Food For Peace (P.L. 480 Title II) is within the 150 function but is not in the State-Foreign Operations appropriations; it is funded within the Agriculture appropriations. During humanitarian crises, funds from certain Foreign Operations accounts, such as the International Disaster Assistance and Economic Support Fund, may be transferred to the Food For Peace account for critical food needs.
- <sup>54</sup> A major 2007 study found that only about one-tenth of U.S. post-2001 aid was directed toward development, governance, and humanitarian programs (Craig Cohen, "A Perilous Course:

- U.S. Strategy and Assistance to Pakistan,” Center for Strategic and International Studies, August 2007).
- <sup>55</sup> Senate Foreign Relations Committee, hearing on U.S. Policy and Its Limits in Pakistan, May 5, 2011.
- <sup>56</sup> Specifically, the experts urged directing two-thirds of U.S. aid to economic programs and one-third to security assistance, and conditioning increases in aid amounts to progress in Pakistan’s reform agenda (“New Priorities in South Asia: U.S. Policy Toward India, Pakistan, and Afghanistan,” Chairmen’s Report of an Independent Task Force Cosponsored by the Council on Foreign Relations and the Asia Society, October 2003).
- <sup>57</sup> See, for example, Frederic Grare, “Rethinking Western Strategies Toward Pakistan,” Carnegie Endowment for International Peace, 2007.
- <sup>58</sup> See, for example, “Senate Leader Wants Bush to Pressure Pakistan,” Reuters, January 10, 2008; “Democrat Questions US Aid to Pakistan,” Associated Press, May 27, 2008.
- <sup>59</sup> See, for example, Daniel Markey, “A False Choice in Pakistan,” *Foreign Affairs*, July 2007.
- <sup>60</sup> Senate Foreign Relations Committee, Hearing on U.S. Policy and its Limits in Pakistan, May 5, 2011.
- <sup>61</sup> Ashley Tellis, “Pakistan: Conflicted Ally in the War on Terror,” *Carnegie Endowment Policy Brief 56*, December 2007.
- <sup>62</sup> See [http://www.mofa.gov.pk/Press\\_Releases/2007/july/PR\\_199\\_07.htm](http://www.mofa.gov.pk/Press_Releases/2007/july/PR_199_07.htm).
- <sup>63</sup> “Pakistan Rejects Call for Conditions on U.S. Aid,” Reuters, January 11, 2008; State Department claim at <http://2001-2009.state.gov/p/sca/rls/rm/2007/97946.htm>.
- <sup>64</sup> Senate Foreign Relations Committee, Hearing Transcripts, pp. 8, 9, 13, May 5, 2011; Sen. Levin quoted in “Pakistan Military Aid Safer Than the Economic Aid,” *The Cable* (ForeignPolicy.com), May 11, 2011.
- <sup>65</sup> For these purposes, “security-related assistance” is defined as grant assistance to carry out section 23 of the Arms Export Control Act (22 U.S.C. 2763) and assistance under chapter 2 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2311 et. seq). It *does not* include assistance authorized to be appropriated or otherwise made available under any provision of law that is funded from accounts within budget function 050 (National Defense) or amounts appropriated or otherwise available to the Pakistan Counterinsurgency Capability Fund established under the Supplemental Appropriations Act, 2009 (P.L. 111-32).
- <sup>66</sup> P.J. Aroon, “Clinton: It’s ‘unacceptable’ that Pakistani elites aren’t paying more taxes,” *Foreign Policy*, October 14, 2010.
- <sup>67</sup> Nancy Birdsall, Wren Elhai, and Molly Kinder, “Pakistan’s Political Crisis: The Limits of U.S. Leverage,” *Foreign Policy* (online), January 20, 2011.
- <sup>68</sup> Quoted in “Pakistan PM Urges Donors for Patience on Reforms,” Reuters, November 15, 2010.
- <sup>69</sup> See <http://www.transparency.org>.
- <sup>70</sup> “Graft Fighter Alleges Pakistan Threat,” *Wall Street Journal*, November 29, 2010.
- <sup>71</sup> Transcript: “Joint Hearing of the House Oversight and Government Reform Committee and National Security and Foreign Affairs Subcommittee of the House Oversight and Government Reform Committee, ‘Afghanistan and Pakistan: Oversight of a New Interagency Strategy,’” June 24, 2009.
- <sup>72</sup> Statement of Rep. John Tierney, “Transcript: House Oversight and Government Reform Subcommittee on National Security and Foreign Affairs Holds Hearing on Detecting Fraud and Waste in Afghanistan and Pakistan,” September 9, 2009.
- <sup>73</sup> See the opening remarks of Rep. Ike Skelton, “House Armed Services Committee Holds Hearing on Security and Stability in Pakistan,” CQ Transcripts, April 29, 2010.

- <sup>74</sup> “US Aid Administrative Costs to be Minimalized,” *Daily Times* (Lahore), August 29, 2009.
- <sup>75</sup> Quarterly Progress and Oversight Report on the Civilian Assistance Program in Pakistan by the Inspector General for USAID, Inspector General for the Department of State, and the Inspector General for the department of Defense, December 31, 2010, p. 34.
- <sup>76</sup> “Setbacks Plague U.S. Aid to Pakistan,” *Wall Street Journal*, January 21, 2011.
- <sup>77</sup> Azeem Ibrahim, “How America is Funding Corruption in Pakistan,” *Foreign Policy* (online), August 11, 2009; “Economic Aid for Pakistan a Victim of Corruption Worries,” *Los Angeles Times*, March 28, 2010.
- <sup>78</sup> “US Aid ‘Failing to Reach Target,’” *BBC News*, May 16, 2008.
- <sup>79</sup> “US Aid to Pakistan ‘Depleted by Admin Costs,’” *Financial Times* (London), August 27, 2009.
- <sup>80</sup> “Gilani Opposes Aid Disbursement Though NGOs,” *Daily Times* (Lahore), September 7, 2009.
- <sup>81</sup> “State Dept Rethinks How to Deliver Aid to Pakistan,” *USA Today*, October 2, 2009.
- <sup>82</sup> One major early 2010 study on reforming Pakistan’s civil service warned U.S. and other donor countries to refrain from supporting bureaucracies such as the FATA Secretariat until reforms there increase transparency and reduce the risk of large-scale corruption in these “inefficient and unaccountable institutions.” An April 2010 Government Accountability Office report provided supporting evidence for such warnings, identifying ongoing problems with efforts to track U.S. development assistance in the FATA (<sup>82</sup> “Reforming Pakistan’s Civil Service,” International Crisis Group Asia Report No. 85, February 16, 2010, at <http://www.crisisgroup.org/home/index.cfm?id=6528>; GAO, “Combating Terrorism: Planning and Documentation of U.S. Development Assistance in Pakistan’s Federally Administered Tribal Areas Need to Be Improved, April 2010, at <http://www.gao.gov/products/GAO-10-289>).
- <sup>83</sup> See <http://www.gao.gov/new.items/d11310r.pdf>.
- <sup>84</sup> Alejandro Quiroz Flores and Alastair Smith, “Pakistan’s Flood of Cash: How Aid Made Flood Management Worse,” *Foreign Affairs* (online), November 28, 2010.
- <sup>85</sup> See the December 8, 2010, release at <http://www.usaid.gov/press/releases/2010/pr101208.html>.
- <sup>86</sup> “Quarterly Progress and Oversight Report on the Civilian Assistance Program in Pakistan As of December 31, 2010,” February 2011, at [http://www.usaid.gov/oig/public/special\\_reports/pakistan\\_quarterly\\_report\\_as\\_of\\_dec\\_31\\_2010.pdf](http://www.usaid.gov/oig/public/special_reports/pakistan_quarterly_report_as_of_dec_31_2010.pdf).
- <sup>87</sup> “Mercy Corps Leaves South Pakistan,” *BBC News*, June 14, 2010; “Pakistan Attack Halts Aid,” *Wall Street Journal*, December 27, 2010.
- <sup>88</sup> When asked in an early 2010 survey if NGOs are “working for the welfare of the country and society” or are “making money and nothing else,” about two-thirds of respondents gave the latter answer (see <http://www.gallup.com.pk/pollshow.php?id=2010-03-05>).
- <sup>89</sup> Setbacks Plague U.S. Aid to Pakistan, by Tom Wright, *Wall Street Journal*, January 21, 2011. <http://online.wsj.com/article/SB10001424052748703583404576080113980804354.html>
- <sup>90</sup> See Homi Kharas, “U.S. Aid to Pakistan: Time for a New Approach,” Brookings Institution, August 25, 2010.
- <sup>91</sup> The study found more than three in five Pakistanis living on or very close to the earthquake fault line saying they trusted foreigners, while slightly more than one in five who lived at least 40 miles from the fault line saying they did so (Tahir Andrabi and Jishnu Das, “In Aid We Trust: Hearts and Minds and the Pakistan Earthquake of 2005,” September 20 10). See also “Study: Aid After 2005 Quake Won Trust in Pakistan,” *Washington Post*, September 7, 2010.
- <sup>92</sup> See, for example, Zubair Torwali, “Changing Perceptions of the US” (op-ed), *Friday Times* (Lahore), September 3, 2010.

- <sup>93</sup> Andrew Wilder, "Aid and Stability in Pakistan: Lessons From the 2005 Earthquake Response," *Disasters*, October 2010. At a late 2009 House hearing on U.S. aid to Pakistan, this same nongovernmental expert contended that development assistance is unlikely to "win hearts and minds" or promote U.S. security objectives. He further warned that aid can have significant destabilizing effects through its fueling of large-scale corruption, which in turn is corrosive of government and institutional legitimacy. In order to avoid such an outcome, he argued, a robust effort to rebuild and repair Pakistan's civil service bureaucracy should be a priority (Testimony of Andrew Wilder before the House Oversight and Government Reform Subcommittee on National Security and Foreign Affairs, "U.S. Aid to Pakistan: Planning and Accountability," December 9, 2009).
- <sup>94</sup> Quoted in "Setbacks Plague U.S. Aid to Pakistan," *Wall Street Journal*, January 21, 2011.
- <sup>95</sup> "U.S. Aid Buys Little Goodwill," *Washington Post*, August 24, 2010.
- <sup>96</sup> "US Wants More Aid Recognition in Pakistan," *Washington Post*, September 25, 2010; Samuel Worthington, "Why American Aid Workers in Pakistan Need to Keep a Low Profile" (op-ed), *Washington Post*, October 10, 2010; "Aid Groups Concerned Over U.S. Branding in Pakistan," Reuters, October 12, 2010.
- <sup>97</sup> Quarterly Progress and Oversight Report on the Civilian Assistance Program in Pakistan by the Inspectors General of the Departments of State and Defense and USAID. December 31, 2010, p.34.
- <sup>98</sup> "Recommendations for Implementation of Pakistan Assistance Strategy," InterAction Policy Paper, March 2010, at <http://www.interaction.org/document/recommendation-implementation-pakistan-assistance-strategy>.
- <sup>99</sup> Quarterly Progress and Oversight Report on the Civilian Assistance Program in Pakistan by the Inspectors General of the Departments of State and Defense and USAID. December 31, 2010, pp 33,.34.

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