

U.S. FOREIGN ASSISTANCE TO PAKISTAN

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL
DEVELOPMENT AND
FOREIGN ASSISTANCE, ECONOMIC AFFAIRS, AND
INTERNATIONAL ENVIRONMENTAL PROTECTION
OF THE

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CONTENTS

	Page
Boucher, Hon. Richard A., Assistant Secretary of State for South and Central Asian Affairs, Department of State, Washington, DC	5
Prepared statement	8
Responses to questions submitted for the record by Senator Joseph Biden	64
Responses to questions submitted for the record by Senator Robert Menendez	67
Corker, Hon. Bob, U.S. Senator from Tennessee	4
Hagel, Hon. Chuck, U.S. Senator from Nebraska, prepared statement	3
Hathaway, Dr. Robert, Asia Program Director, the Woodrow Wilson International Center for Scholars, Washington, DC	49
Prepared statement	52
Korb, Dr. Lawrence J., senior fellow, Center for American Progress, Washington, DC	42
Prepared statement	43
Kunder, Hon. James R., Acting Deputy Administrator, U.S. Agency for International Development, Washington, DC	12
Prepared statement	13
Responses to questions submitted for the record by Senator Robert Menendez	69
Menendez, Hon. Robert, U.S. Senator from New Jersey, opening statement	1
Schaffer, Hon. Teresita C., director, South Asia Program, Center for Strategic and International Studies, Washington, DC	37
Prepared statement	40

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THURSDAY, DECEMBER 6, 2007

U.S. SENATE, COMMITTEE ON FOREIGN AFFAIRS, SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT AND FOREIGN ASSISTANT, ECONOMIC AFFAIRS, AND INTERNATIONAL ENVIRONMENTAL PROTECTION,

Washington, DC.

The subcommittee met, pursuant to notice, at 2:30 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Robert Menendez, chairman of the subcommittee, presiding.

Present: Senators Menendez, Feingold, Casey, Lugar, Hagel, and Corker.

OPENING STATEMENT OF HON. ROBERT MENENDEZ, U.S. SENATOR FROM NEW JERSEY

Senator MENENDEZ. This hearing will come to order. I want to express from the outset that we're a strong believer in democracy and free speech but we are also a believer in order. So, we expect our audience to act accordingly within that context.

Pakistan is currently in the midst of its worst political crisis since the October 1999 military coup when then-Army Chief General Pervez Musharraf overthrew the democratically elected government. After September 11, our relationship with Pakistan became more complex and urgent. As has become all too clear, the U.S. policies and assistance toward Pakistan since September 11, while not without some successes, have failed to neutralize western militants or reduce religious extremism. These policies have failed to contribute sufficiently to the stabilization of neighboring Afghanistan and failed to secure civilian governance and rule of law in Pakistan.

This subcommittee's intention is to conduct a broad reevaluation of the policies that are shaped by the U.S. assistance package to this important ally. Since our policies are often best understood by following the numbers, we are here today, in part, to look at those numbers.

The United States has provided about \$10 billion in financial assistance to Pakistan since 2001. In spite of that \$10 billion, al-Qaeda and the Taliban have a safe haven in the FATA region. Osama bin Laden is still on the loose in the region. Anti-Americanism remains high and Pakistan's President has repeatedly exercised the powers of a dictator. Do we dare call our policies in that respect a success?

What I want to discuss today is how we should be using our assistance to develop and support a moderate center in Pakistan. My

concern is that we may be spending this money to simply prop up a dictatorial ruler with a poor and worsening record and in so doing, we may be alienating a large and important moderate center.

I understand President Bush doesn't think that President Musharraf crossed the line on November 3, when he instituted emergency rule and then simultaneously arrested thousands of political opposition figures, human rights activists and lawyers. But in my judgment, he did cross the line. President Bush even characterized Musharraf as someone who truly believes in democracy. But even his own Department of State had the wherewithal to say that they were, "deeply disturbed" by the events in Pakistan.

So what does the Department of State do in response? As a start, Secretary Rice announced that they were conducting a "review" of the assistance to Pakistan. I was encouraged to hear that this review was taking place and sent a letter to Secretary Rice requesting that the review be completed promptly and that she report back to this subcommittee. However, it turned out that what I assumed to be a careful and comprehensive strategic and programmatic review might have instead been simply a statutory review of any legal triggers that might restrict the flow of U.S. assistance; legal triggers that the administration largely opposed in the first place and largely do not exist.

So I look forward to hearing more about this today since the subcommittee still has not received any details of this review. Now, we all have a lot of questions to answer today. As the chair of the subcommittee, I am constantly looking at how our foreign assistance resources can be spent more effectively and Pakistan is no exception, especially in light of the fact that a significant segment of the Pakistani population views U.S. support for the Musharraf government as being an impediment to, rather than a facilitator of, the process of democratization. In addition, the recent political turmoil provides an even greater justification for careful review of our assistance program, the strategy behind the assistance and the progress being made.

Now, since the Coalition Support Funds comprise about 60 percent of the overall assistance package to Pakistan, it's hard to have a serious discussion about U.S. assistance to Pakistan without also discussing the Coalition Support Funds. It's like trying to read a book when 60 percent of the lines in the text have been redacted. I invited Secretary of Defense Gates to come and testify or to send those who could testify and not only did he decline but he couldn't find anyone on his staff who could speak knowledgeably about the Coalition Support Funds for this hearing. Apparently, the only two individuals that have any knowledge about this are out of town for this hearing. I hope this doesn't mean that there are only two people in the entire Department of Defense who have substantive knowledge of the \$6 billion that we have provided to Pakistan in Coalition Support Funds since 2001.

I'm aware of the jurisdictional designations regarding these funds but I believe that the administration needs to work together so that the American people can trust that their government has a clear picture, a clear strategy, and a clear path toward progress.

So here's the first question. Are we getting the most bang for our buck? What happens if Pervez Musharraf is suddenly no longer the leader of Pakistan? Have we put too much emphasis on individuals at the expense of institutions? Have we engaged a few Pakistanis at the top while simultaneously alienating tens of millions of others? Have we compromised the long-term structural progress because we have been distracted by a short-term security imperative?

Now let me be clear. I do believe we have a short-term security imperative. Pakistan's support to help root out terrorists is very important for the security of our country and the stability of the region. I don't believe, however, that we need to sacrifice democracy and the road toward democracy in order to achieve our national security.

Last month's events in Pakistan have highlighted the concern that we have. We have to ask if our assistance programs are achieving the goals that we have set and after \$10 billion, have we really improved our security?

I look forward to the testimony of our witnesses. I want to welcome particularly Ambassador Boucher, who has been, as a result of his service, ill for a while and is coming, I guess, to one of his first public appearances. You look great, Ambassador. It's a hard way to lose weight but we're glad you're back with us, and of course, Mr. Kunder, and before we hear from you, I want to turn to the distinguished ranking member of the subcommittee, Senator Hagel.

**STATEMENT OF HON. CHUCK HAGEL, U.S. SENATOR FROM
NEBRASKA**

Senator HAGEL. Mr. Chairman, thank you and I, too, add my welcome to our witnesses as well as our second panel of witnesses that will follow the administration testimony. I have a prepared statement that I would ask be included for the record.

Senator MENENDEZ. Without objection.

Senator HAGEL. And would leave any further comments I have to the time we have for questions.

Mr. Chairman, thank you.

[The prepared statement of Senator Hagel follows:]

PREPARED STATEMENT OF HON. CHUCK HAGEL, U.S. SENATOR FROM NEBRASKA

Mr. Chairman, thank you for convening this important hearing regarding Pakistan and U.S. assistance. I want to join you in welcoming Assistant Secretary Richard Boucher, Acting Deputy Administrator Jim Kunder, and the second panel of distinguished experts.

Pakistan today is in the middle of its most significant domestic political crisis in nearly a decade. At the same time, Pakistani politicians are confronted with an unyielding threat of Islamic extremism. The outcomes of these events in Pakistan remain unclear—and undetermined—but carry significant implications for regional stability and security—and America's interests.

The United States would welcome a more stable political process in Pakistan, where leading opposition figures and parties can openly and fairly compete for political office. We would welcome further education and economic reforms. We would welcome having Pakistan-Afghanistan relations that are framed not by tension and difference, but by common interests. We would welcome joint United States-Pakistan-Afghanistan efforts in the border regions that would begin to chip away at this stronghold of extremism: Al-Qaeda and the Taliban. And, of course, sustained progress toward improved relations between India and Pakistan—two nuclear powers—would carry significant regional security implications.

In all, this region represents one of the most geostrategically significant areas of the world for the United States. America's interests in Pakistan are framed by Pakistan as a country—and go well beyond any one man. And, since 2001, Pakistan has been one of our most important and significant partners across nearly all of our interests in that region. And, the nearly \$10 billion in U.S. assistance to Pakistan since 2001 reflects this reality.

In the last several months, we have watched as the political crisis in Pakistan has deepened with setbacks in democratic reform, and extremist forces have sought to exploit the situation with gains against any and all Pakistani politicians—and in Afghanistan.

Yet, the U.S. must recognize that our influence in Pakistan is limited. We do not have the capability to control the course of events there—as is the case with nearly every other country around the world. We must take great care not to overextend—overreach—in an attempt to push, or force, Musharraf too far, too fast. He has taken off the uniform. He has pledged to end emergency rule on December 16. He has pledged to hold free and fair parliamentary elections.

The United States should continue its quiet, firm diplomatic engagement with President Musharraf and all elements of Pakistani politics. Our objective should be to help move Pakistan toward some level of political consensus, rather than a deepening of the political crisis that will only work in the favor of the extremists.

Public admonishments, punitive conditions, and absolute demands are unlikely to be productive. That is particularly the case now, when the situation in Pakistan remains fluid.

At a time when global opinion of the United States is at an all-time low, we must take care to avoid creating a situation in Pakistan where going down the right path is seen as doing America's bidding.

Today's hearing is focused on understanding the scope, breadth, and objectives of U.S. assistance to Pakistan. Is direct budgetary support an effective use of assistance? What is the administration's assessment of the \$5.7 billion in direct assistance to the Pakistani military? How effective has U.S. assistance been in meeting the long-term economic, educational, and health needs of Pakistani society? How does the administration evaluate the results of spending on International Military and Education Training (IMET)? Is the administration considering any changes to military or economic assistance to Pakistan?

Mr. Chairman, thank you, again, for holding this important hearing.

Senator MENENDEZ. Thank you.

Senator Lugar.

Senator LUGAR. I'm waiting.

Senator MENENDEZ. Waiting for questions. Senator Casey, do you have any opening statement?

Senator CASEY. No.

Senator MENENDEZ. Senator Corker.

STATEMENT OF HON. BOB CORKER, U.S. SENATOR FROM TENNESSEE

Senator CORKER. Thank you, Mr. Chairman. I was—last week sat down with President Musharraf and former Prime Minister Bhutto and I have a slightly different perspective than what you just laid out but I think I'll wait until we have a little discussion and talk about that but I appreciate you having this hearing. I think it's always healthy to review our aid and to look and make sure that we're getting our money's worth, if you will, through the aid that we supply. I think it's also helpful to sort of understand the circumstances on the ground and some of the things that are actually taking place there. But I appreciate you chairing this meeting and I hope that we can approach this in a way that's not partisan but really looks after our country's interests and I'm sure that's what you intend to do.

Senator MENENDEZ. With that, Ambassador Boucher, thank you for coming. It's great to see you and in the interests of time, we'd

ask you to try to summarize your testimony in about 7 minutes. Of course, your full testimony will be included in the record.

STATEMENT OF HON. RICHARD A. BOUCHER, ASSISTANT SECRETARY OF STATE FOR SOUTH AND CENTRAL ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Mr. BOUCHER. Thank you very much, Senator. It's a pleasure to be here and this is one of the first public things that I've done since I've come back to work about 10 days ago. A lot has happened in Pakistan in the last few months and what I'd like to do is talk a little bit about the questions you raised about our aid program; how is it spent, where does it go, and what does it do and then talk a little bit about our main focus right now. I think we have to start from the premise that Pakistan's success as a nation, as a stable, moderate, prosperous and democratic nation, is really essential to our security and our future as well as the security and future of 166 million people. It's a key ally in a key region for the war on terror. Stabilizing Pakistan is essential in stabilizing Afghanistan but also in the broader Muslim world in showing what can be done in a stable, prosperous Muslim democracy. It can be an anchor of achievement or an impossible obstacle to success and we're determined to keep working at it to make it a success and to give the people of Pakistan a success.

Over the last—let's say since 9/11, I think, you have to look at the big picture first, I guess, and say that Pakistan has actually moved forward considerably. Its growth of the media has been enormous and almost all the ones that were shut down are back on the air. The growth of civil society has been spectacular. There is strong support for the judiciary although the judiciary, as in previous periods, has had problems. There have been reforms in education. There has been enormous economic growth that has doubled the GDP and opened up economic opportunity to many, many more of the citizens. And they've carried forward on the fight against extremists and terrorists, both in the border area and also in the maritime sphere, where for the second time, Pakistan is now heading up the taskforce that patrols the seas near Pakistan and in that area.

Despite many, many difficulties, some—many of them self-imposed, Pakistan is making a historic transition at this time. They now do have a civilian President. The political party leaders are back and they are moving toward the election of a civilian Prime Minister. United States assistance to Pakistan is designed to help them to deal with these problems and overcome the challenges that they face.

If you look at it in general terms this year, the biggest categories would be dealing with the terrorist threat and security threats and narcotics problems. That's about \$338 million this year in our assistance program. Expanding health and education is about \$257 million this year. Making a successful transition to democracy is about \$55 million. Providing economic opportunities to the citizens of Pakistan is about \$87 million and there's about \$100 million still in earthquake relief out of the money that was pledged a couple of years ago after the earthquake.

I think we should also note that this year is marked by the start-up of some programs, special programs for the tribal and border areas of Pakistan where the terrorists and extremist problem has been most acute. We are supporting a tribal area development strategy that was developed by the Pakistanis in conjunction with AID and I'm sure Mr. Kunder can talk more about that. But that will be about \$750 million spread over 5 years so we've gotten close to \$150 million for that this year.

We're also starting to support the transformation to the Frontier Corp, which is the local armed force in that area. There are actually three armed forces that are local. So supporting the conversion of local armed forces into a capable fighting force so that the army doesn't have to come in from outside to maintain security in that area and that's starting up this year with some funds but they are requesting a supplemental in future budgets to try to continue that process.

Third of all, we're looking to help create reconstruction opportunity zones that we've been working on since the President announced them in March 2006 and we have legislation that we hope to see presented to the Congress and hopefully passed by the Congress in the near future that would allow duty-free entry into the United States of products that are made in the border areas of Pakistan and in Afghanistan. The economic feasibility studies say that this could help with economic growth and job creation in these areas so that people go to work in regular enterprises instead of pickup ones.

The goal, I think that we share with the Pakistani Government, the Pakistani people, is to achieve a stable transition right now to civilian rule. It hasn't gone the way we would have liked. There have been plenty of bumps in the road and we've spoken out, as you know, about some of those things that have happened. And we have reviewed our assistance programs, especially after the imposition of emergency law in early November.

First, from a legal standpoint, as you noted, but second, also from a policy standpoint. We do share your interest in knowing that our aid is effective and that our aid goes to the people that it is intended for. In keeping with that, we have decided to make some changes in the way we spend a good chunk of our budget, which is the \$200 million that's heretofore been spent through the Pakistani budget, as shared objectives. It had macroeconomic goals as well as specific goals in education, health, and other areas. But we've decided at this point that we'll take that \$200 million this year and spend it directly through aid projects and contracts and we will define those projects and supervise those contracts through the regular aid mechanisms so that we know exactly how the money is being spent and exactly who it is going to so it does reach the children of Pakistan who need education, the mothers and children and others who need the health care and the people who need jobs and job training. So that is one of the changes that we've decided to make after our consideration and frankly, after consulting with a number of people up here on the Hill.

The other, I think, is a determination on our part and on their part to support the fight against extremism and terrorism. And you know, I think you've watched the news. You see there is a major

military operation going on in the Swat Valley right now where the Pakistani Army is going up to try to rid that area of the al-Qaeda, Taliban, and other terrorists who have taken refuge up there and who have been broadcasting antigovernment, anti-Western, anti-everybody propaganda in trying to instill their kind of governance in that area. So that's been going on.

You mentioned the Coalition Support Funds and I'll make a point now that perhaps we'll differ on again and again throughout the hearing but we—those are reimbursements. We don't see those as assistance. We don't lump them in with the other categories of assistance. It's about \$5.3 billion since 9/11. It's a program that was authorized by the Congress to reimburse allies and friends in the war on terror for their expenses and that money goes to reimburse the Pakistanis for the expenses that they incur in terms of food, ammunition, operating expenses, fuel—all those things that they incur in terms of fighting the war on terror. It's the money that supports the Pakistani men and women who are fighting and dying in the war on terror. And indeed, Pakistan has lost as many as 1,000 members of their armed forces security services in the war on terror, including 250 people since July. So they've incurred expenses, which we try to reimburse for and unfortunately, they've incurred loss of life as well, which nobody can reimburse them for.

Our goal at this point is to keep working with Pakistan, to keep working especially on the transition and ensuring a credible election. We've had democracy and election programs going for a number of years. We've bought transparent ballot boxes. We've helped with computerizing the voter lists. We've helped with training electors and voters and election observers. We're going to field an observer team. We have about, I think it's 45 people from the International Republican Institute and about 25 more from AID, 40 observers from the Republican Institute and about 25 more that AID is financing. The Embassy is going to field teams. They have a whole plan to go out and cover as many as they can of 84 districts that they feel are the most critical ones and we've been encouraging other governments working with people like the British, who are sending observers, encouraging people like the Europeans and the Japanese to send observers as well.

So we have a very comprehensive program that has been going on for some time, to try to make this election as credible, as transparent as possible. The government has pledged to a transparent election. They've pledged to keep the military and the intelligence services out of it. They've pledged to have transparent counting.

There are going to be a lot of charges in Pakistan after the election. It's never—not going to be perfect. But we want to see an election that represents the will of the Pakistani people and gives them real choice over their leaders.

Finally, sir, let me just say, there are other institutions, there are a number of institutions in Pakistan that it's important for us to work with. With the government and a newly elected Prime Minister, whoever that may be; with the army, which is a vital institution for securing and stabilizing the nation and they have a new chief there; with the new civilian—

Senator MENENDEZ. Excuse me. I would just advise members of the audience that we all might have comments to make. But we're

not going to have them here in this setting. We appreciate your opportunity to be in a public setting to hear what witnesses are saying but we are not going to allow commentary on them.

The committee will be in order. The gentleman will be seated. I would ask the officer to have the person be removed.

Ambassador.

Mr. BOUCHER. Thank you. In addition, we do have a new civilian President, President Musharraf, as a civilian and exactly how he is—what his role is going to be, how he is going to interact with the political parties. It is going to be interesting to see how that evolves in the Pakistani system. Then you have civil society, business, political actors, media—really, I think, a new environment there and so we hope in January to see a credible election. We think making this successful transition to civilian leadership is the best and most solid basis for the nation to go forward, including ridding itself from the threats and terrorism and extremism and we think the United States should continue to support that process of change in Pakistan and we'll work with you and them to make sure that we support that in the best way possible.

Thank you, sir.

[The prepared statement of Mr. Boucher follows:]

PREPARED STATEMENT OF HON. RICHARD A. BOUCHER, ASSISTANT SECRETARY OF STATE FOR SOUTH AND CENTRAL ASIAN AFFAIRS, STATE DEPARTMENT, WASHINGTON, DC

Mr. Chairman and members of the committee, I would like to thank you for the opportunity to be here today to discuss developments in Pakistan and U.S. assistance to this critical country. As I'm sure you can imagine, no other policy priority has consumed more of my attention over the past several months. The United States wants to see Pakistan succeed in its transition to an elected civilian-led democracy, to become a moderate, democratic, Muslim nation committed to human rights and the rule of law. All of our assistance programs are directed toward helping Pakistan achieve these goals. This is a long-term undertaking that will require years to accomplish. There will be obstacles in the road.

President Musharraf's November 3 imposition of a state of emergency—including reshuffling the Supreme Court, curtailment of press freedom, and arrests and detention of journalists, lawyers, human rights advocates, political activists and party leaders—was a setback. His subsequent retirement as Army Chief of Staff on November 28, his inauguration for a second term as President on November 29 and his commitment to lift the State of Emergency on December 16 represent the most recent developments in this long, sometimes troubling and sometimes encouraging, chain of events. While we had hoped to see this transition unfold differently, we are encouraged that at the end of this chain will be parliamentary elections, currently scheduled for January 8, that we hope will lead to the formation of a civilian-led government, under a civilian President for the first time since 1999. This would indeed be a significant step forward for Pakistani democracy and a major accomplishment for the Pakistani people.

These results seemed unlikely a month ago, and are owed primarily to the Pakistani people's demand for democracy, evidenced by the resilient and steadfast commitment of the democratic supporters in Pakistan, and the constant pressure from the international community, especially the United States. However, this progress does not mean that democratic success is yet fully assured. The upcoming parliamentary election will be the next big step along Pakistan's bumpy path toward democracy. I should also note that Members of the Senate have recently visited Pakistan to reiterate the message of the importance of a restoration of democracy to that country. Senators Bennett and Corker, in their meetings with President Musharraf and other political leaders, made an important contribution to our shared efforts, and I thank them for that.

It is our fervent hope that these elections will be free, fair, transparent, and credible. We are working closely with Pakistani officials and U.S., Pakistani, and international civil society organizations to ensure that these elections are as transparent as possible. The U.S. has provided significant assistance over the past several

months in support of democracy and voter education programs in the runup to what will hopefully be a free and fair election. Do we expect the election will be flawless? No. In any general election in a nation with 166 million people and a checkered history of democracy, there are going to be problems. Our hope is that with all the preelectoral spadework that has been done by the International Republican Institute, the National Democratic Institute, by Embassy Islamabad, and with the large international and domestic monitoring teams funded by the U.S., and hopefully the EU, Pakistan will be able to avoid the large-scale and systematic distortions that have marred elections in the past.

But elections are not the only measure of democracy. Democracy requires accountable government institutions, including an independent judiciary, protection of individual human rights, a free and dynamic press, an atmosphere promoting open debate, and a vibrant civil society. Pakistan is making progress toward these goals. Democracy also requires freedom from the violent extremism that operates outside of the rule of law. Unfortunately, violent extremist groups have expanded their influence in the border area between Pakistan and Afghanistan. From there these groups threaten not only the nascent democracies in Pakistan and Afghanistan, but also security in the wider region and the world. Denying these groups safe-haven and ousting them from Pakistani territory is central to our conduct of the war on terrorism. And, as the Pakistanis clearly recognize, ending extremism is essential to the future success and stability of their nation.

Pakistan is, of course, our indispensable ally in that struggle. The Government of Pakistan is at war with a violent minority that is seeking to undermine a largely peaceful, law-abiding Pakistani citizenry deserving of the freedoms their country heralded at its inception. In many ways, it is the indispensable partner in our worldwide struggle against violent extremism. Pakistan shares a 1,600-kilometer border with Afghanistan and is a key factor in the success or failure of the Afghan and international effort there. With 166 million people, Pakistan is a leading Muslim country whose future will help determine the future stability and prosperity of the region—a region of increasing importance to the United States. It can also serve as a potential model for our relationships with the Islamic world.

Pakistan is a nation facing enormous challenges, and it is clearly in our interest to help Pakistan to meet those challenges. Despite averaging 7 percent annual growth in their Gross Domestic Product over the last 5 years, many parts of the country remain desperately poor. This is especially true in the areas along the border with Afghanistan and in no place more so than in the Federally Administered Tribal Areas. These areas have the worst social and economic conditions in all of Pakistan. In some parts of the tribal areas, 135 of every 1,000 children under the age of 5 die early, often due to treatable ailments. The female literacy rate is as low as 3 percent in some areas. There is little access to safe drinking water or to even rudimentary health care, and public education is largely nonexistent.

One reason for these calamitous social indicators is that the writ of the central government in the underdeveloped tribal areas is, as it has been throughout history, marginal at best. These areas are remote and isolated. This isolation, coupled with social and economic deprivation, makes them particularly attractive “targets of opportunity” for violent extremists. Al-Qaeda, Taliban, and other violent extremists have exploited these populations and the areas that they inhabit as hideouts and safe havens. The lack of adequate educational infrastructure makes traditional madrassah schools and other unregulated private schools the only alternative. Worse, a small but nonetheless worrisome number of these schools serve as indoctrination centers for extremist combatants and would-be suicide bombers. The area’s proximity to Afghanistan makes it an ideal recruiting ground and a staging area for cross-border operations by Taliban and other violent extremist groups operating against Afghan and NATO forces in southern and eastern Afghanistan. Past efforts by the Pakistani Government to establish a presence or exert its control in these areas have met significant resistance. Al-Qaeda has used the absence of a military presence to increase its training, planning, and recruiting capacity in hideouts in these undergoverned parts of Pakistan.

Though the Pakistani Government has generally remained firm in its resolve to confront the violent extremist forces in the tribal areas militarily, it has become clear to Islamabad, as it has to America, that a purely military solution will not work. What is required is a comprehensive “frontier strategy” consisting of military and civilian security, social and economic development, and political engagement in these ungoverned areas. And that means nothing less than bringing the frontier areas, traditionally undergoverned and underdeveloped, into the mainstream of the Pakistani body politic.

U.S. ASSISTANCE: MONEY BEHIND OUR PRIORITIES

The United States is seeking to help Pakistanis build an economically healthy, stable, and democratic Pakistan. To this end, since 2002 we have provided economic assistance totaling \$2.4 billion. These funds have supported education reform, including training teachers in modern teaching techniques, building schools in the tribal areas, providing scholarships and fostering science and technology cooperation between the U.S. and Pakistan. We have also funded governance programs designed to assist independent radio, reform political parties, train Parliament members in drafting laws, strengthen Pakistan's Election Commission, promote grassroots service delivery and reduce gender-based violence. U.S.-funded economic growth programs have, among other things, worked to improve the competitiveness of Pakistani businesses, provided microfinance and encouraged more effective agriculture techniques. We have also supported refugee programs and funded rebuilding efforts following the 2005 earthquake.

Fighting terrorism is, of course, a preeminent goal of U.S. policy in Pakistan. In support of that goal, since 2002 the United States has provided security assistance to Pakistan totaling \$1.9 billion. This has included \$1.2 billion in Foreign Military Financing, \$244 million in Department of State counternarcotics funding and \$87 million in Department of Defense counternarcotics funding and \$37.2 million in section 1206 counterterrorism funding. These funds have been used to help Pakistan prosecute the war on terror along the Pakistan-Afghan border. This money has gone to purchase tactical radios, TOW missiles, Bell 412 and COBRA helicopters, and night-vision goggles. In addition, we provide counterinsurgency training, improve counterinsurgency strike capability and train more effective Pakistani military leaders. Another purchase under Foreign Military Financing—P-C3C Orion aircraft—is crucial for maritime surveillance and Pakistan's participation in and leadership of Combined Task Force-150 patrolling the Horn of Africa and the Arabian Sea. In addition, we have provided \$5.3 billion in Coalition Support Funds to reimburse Pakistan for expenses incurred in the war on terror.

The United States has also recently begun to implement a 5-year, \$750 million development strategy for Pakistan's frontier region that supports the Government of Pakistan's 9-year, \$2 billion program for the tribal areas' sustainable development. The people of the tribal areas need to have a stronger connection to their central government if they are to resist violent extremism effectively and over the long term. The plan seeks to develop the capacity of tribal area authorities and local leaders to plan, administer, implement, and monitor development assistance programs; to strengthen the strategic communication capacity of civilian administration bodies; and to improve planning and coordination between civilian and security organizations.

In addition, the plan seeks to more effectively address security concerns in the tribal areas, which is a prerequisite for a successful development strategy. To accomplish this, we have been working with and will continue to work with the Pakistani Government to increase the size and enhance the capabilities of the three law enforcement entities that have a traditional presence in the tribal areas and whose ranks are filled with predominantly locally recruited ethnic Pashtuns. I believe these pieces of our assistance to Pakistan are some of the most crucial elements of the war on terror. These forces are doing much of the fighting against the Taliban, al-Qaeda, and other violent extremist groups in the tribal areas and elsewhere in the Northwest Frontier Province, such as Swat.

REVIEWING U.S. ASSISTANCE

When the State of Emergency was announced on November 3, the Department of State examined our assistance programs to determine whether the Emergency would negatively impact our ability to continue assistance. We concluded that imposition of a state of emergency did not at that time trigger any automatic aid cutoffs. However, it was also clear that taking a thorough look at our assistance programs across the board was warranted.

Barring further setbacks, we have come to some important conclusions. We believe that maintaining funding levels for Economic Support Funds and Foreign Military Financing is crucial. Doing otherwise would not further our interests with Pakistan at a time when Pakistan plays a critical role in the war on terrorism and is about to have elections that need to be free, fair, and credible. As you in the Congress do, we would want to be quite clear on what our money supports. Thus, we've made the decision that the \$200 million in Fiscal Year 2008 Economic Support Funds used for budget support will be projectized to ensure money is targeted at the most urgent priorities. We believe these funds can be most productively used for programs that directly benefit the Pakistani people and will make Pakistan a

stronger and more secure ally in the war against terrorism. We have the capacity to do so, as proved during the October 2005 earthquake. Foreign Military Financing to the Government of Pakistan's counterterrorism program is another area we could not want to cut, as cuts would be counterproductive to military-to-military programs and could affect Pakistan's willingness to continue to support coalition access to Afghanistan.

Our \$300 million per year in Economic Support Funds and \$300 million in Foreign Military Financing for Pakistan are part of a 5-year, \$6 billion Presidential commitment made by President Bush in 2004, with funding to be provided from fiscal year 2005 to fiscal year 2009. This commitment supports our long-term, broad-based strategic partnership with Pakistan. Programs like these I've just outlined, combined with complementary projects that create jobs, help address the fundamental economic problems that block Pakistan's progress and stability. It is the people of Pakistan to whom we want to demonstrate our long-term commitment—and the Department of State believes firmly that now is not the time to cut assistance levels.

OVERSIGHT

Our strategic goals in Pakistan are broad and our programs will require strong oversight to ensure that our assistance is accomplishing our foreign policy goals. We have been clear with the Government of Pakistan in our conversations on developmental economic problems that block Pakistan's progress and stability. It is the people of Pakistan to whom we want to demonstrate our long-term commitment—and the Department of State believes firmly that now is not the time to cut assistance levels.

Security assistance is typically subject to even more stringent monitoring and evaluation requirements than other foreign assistance programs. The Government of Pakistan has entered into an agreement regarding end-use and retransfer and security of defense articles provided on a grant basis. Each Letter of Offer and Acceptance pursuant to the Foreign Military Sales program contains end-use, retransfer, and security obligations.

Coalition Support Funds are a Department of Defense program to reimburse war-on-terrorism partners for logistic, military, and other expenses incurred in supporting U.S. operations. Pakistan's Coalition Support Fund claims are validated by the U.S. Embassy in Islamabad and by U.S. Central Command. The Department of Defense's Office of Comptroller further evaluates each claim to ensure that the costs are reasonable and credible. After this validation, the Department of State must concur on the reimbursement and the Office of Management and Budget must be consulted. The Office of the Secretary of Defense (Comptroller) then prepares a determination for the Deputy Secretary of Defense to sign, as well as a formal notification to Congress. Only after a 15-day notification period expires are funds released to the Defense Security Cooperation Agency for repayment to Pakistan. Embassy Islamabad is working with the Department of Defense and the Government of Pakistan to make the Coalition Support Funds reimbursement process more supportive of U.S. policy goals and to ensure that we get maximum value for the money expended. Embassy Islamabad has, on more than one occasion, denied or sent claims back to the Government of Pakistan for further clarification.

CONCLUSION

The United States assistance policy in Pakistan is a multifaceted and strongly monitored array of programs, ranging from support for Pakistani military efforts to oust militant extremists from the border area with Afghanistan, to on-going support for rebuilding following the 2005 earthquake, to working with Pakistani civil society organizations to train election monitors to ensure credible elections. U.S. engagement with Pakistan is a centerpiece in our efforts to combat extremism worldwide and of our work with the developing countries in advancing economic and social development and promoting the growth of democracy. All of our efforts in Pakistan are geared toward creating the vibrant, modernizing, and democratic state that Pakistanis desire and U.S. policy envisions as a partner in advancing stability and development in a key region of the world.

Mr. Chairman, thank you again for inviting me today. I look forward to taking your questions.

Senator MENENDEZ. Thank you.
Mr. Kunder.

**STATEMENT OF HON. JAMES R. KUNDER, ACTING DEPUTY
ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT,
WASHINGTON, DC**

Mr. KUNDER. Thank you, Mr. Chairman. In my written statement, I've tried to answer in detail each of the questions the committee asked about the expenditure of approximately \$2.1 billion of U.S. foreign assistance since 2000, by USAID and what I would like to do, just very briefly highlight items I've included in this chart in front of the committee and in each of the statements. What this chart attempts to address, Mr. Chairman, is your fundamental questions about whether we're trying to take on the long-term development issues facing Pakistan.

Essentially, this tries to lay out what we believe to be some of the critical development challenges in our four major areas of U.S. foreign assistance, which are education, health care, governance, and economic growth. For example, education is our largest single sector of assistance to the Pakistani people. We have looked at data like the ones I've listed there, 5 to 6 million school-age children out of school, increased enrollments in madrassas and we've designed our program around the kinds of issues that will address the specific development challenge. For example, building more schools, training more teachers, working with administrators, assisting the Pakistani Government in developing a more modern curriculum, awarding higher education scholarships within the country and then also post-graduate training in education in the United States.

I won't go through each one of these, but what we believe we're doing, sir, is to try to take on the critical development challenges identified by our staff on the ground, by the World Bank, and certainly by the Pakistani Government itself. There are some very profound development challenges in this country of 160 million people and I throw that out because some of the numbers are, in fact, large for assistance numbers but Pakistan is one of the 10 largest countries in the world, and across that very large country, we've got data that indicates, for example, that less than half of the primary age cohort of children is currently enrolled in school. I'm not talking about junior high school, high school students. If we just look at the primary school cohort, grades 1 to 6, fewer than half of Pakistani children are actually in a school setting, and those kinds of numbers indicate that we've made some very serious advances, very significant advances, and I completely agree with what Richard said about those.

We have seen a substantial increase in the economic growth rate in the country. We have seen increases in primary school enrollment. We've seen increases in the literacy rate. We've seen increases in child survival rates but we have very profound development challenges still facing us and facing the Pakistani Government.

In addition to answering the committee's questions in my written statement, I would just like to emphasize two other areas where there is going to be dramatic change or new direction in our program. One is, as Richard mentioned, we are planning to increase dramatically our assistance in the Federally Administered Tribal Areas (FATA). The Government of Pakistan has a very comprehensive and, we believe, well-designed development plan to address the

root causes of extremism in the FATA region. We plan to be major supporters of that effort. That is an area where we can provoke a reaction, if we don't proceed in a measured and analytical and thorough fashion. But we believe there are real development opportunities in the northwest and we plan to increase dramatically our support to that region.

The second is—I would emphasize what Richard just mentioned about the “projectization,” as we would call it, of the \$200 million per year that we have been providing in cash transfers to the Pakistani Government. That \$200 million was carefully monitored in terms of what the outcomes were. We had agreed with the Pakistani Government on what we expected the money to be spent for in education, health care, and so forth and then we tracked whether they were actually expending the money in those areas. But what Richard has announced here today is another step toward increased engagement directly by moving that from a cash transfer into projects that we will manage on the ground in these four critical areas of education, health care, governance, and economic growth.

As Richard mentioned, we are heavily engaged. I just spoke with our staff in Islamabad in the last couple of days about our preparations for upcoming elections. We intend to use every tool in our toolkit to ensure that those elections are free, open, and transparent, and if the Chair would just allow me 30 more seconds, I would like to introduce, seated two chairs behind me, Mr. Agha Mohammad Asim, a member of our Pakistani staff from Islamabad who happens to be in town for training. We invited him to come here today so he could see American democracy in action.

Mr. Asim is one of the ways we reach out to the broader Pakistani public. Mr. Chairman, to answer your question, our staffing ratio in Islamabad is probably pretty typical. We have 10 American Foreign Service officers on the ground and 44 Pakistani professionals. This is one of the best ways that the United States gets its message across and we wanted to invite Mr. Asim to join us here today. I'm pleased to answer any questions that the committee has, sir.

Thank you.

[The prepared statement of Mr. Kunder follows:]

PREPARED STATEMENT OF HON. JAMES R. KUNDER, ACTING DEPUTY ADMINISTRATOR,
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID), WASHINGTON, DC

Mr. Chairman, other distinguished members of the committee, thank you for inviting me to appear before you today to discuss the critically important topic of “U.S. Assistance to Pakistan.”

I would like to incorporate your questions and structure my testimony around three core themes today, laying out USAID's strategy for Pakistan, the impact that USAID has achieved, and the support that we provide to priorities of both the U.S. Government, and the Pakistani people.

THE USAID STRATEGY

In discussing strategy, it may be useful to provide some historic context. United States foreign assistance to Pakistan began in 1948 with education as one of our major priorities. This has included programming in partnership with Pakistanis at both the national and local levels. In 1987 we funded the establishment of the Lahore University of Management Sciences (LUMS)—now the premier institution of higher education in Pakistan. USAID's support to higher education also helped to build a cadre of expertise and leadership in the areas of public administration, edu-

cation, health, and business. In the health sector, USAID's support for childhood mortality has contributed to a one-third reduction over the last four decades.

Our relationship with Pakistan changed abruptly in the 1990s when USAID halted its assistance to Pakistan due to the Pressler amendment. Enacted in 1985, the Pressler amendment specifically prohibited U.S. assistance or military sales to Pakistan unless annual Presidential certification was issued that Pakistan did not possess a nuclear explosive device. This certification was denied in October 1990, triggering wide-ranging sanctions against Pakistan. In 1995, USAID closed its mission and pulled out of Pakistan.

In early 2001, USAID received specific legislative authority to work directly with the Government of Pakistan in education, which was the precursor to the current program. Post 9/11, the U.S. again redefined its relationship with Pakistan. In 2002, USAID came back to reengage our Pakistani allies in the war on terror to deal with issues of poverty, lack of access to a quality education, and substandard health care alternatives for their children.

What is USAID's strategy and objective in Pakistan?

USAID's strategy and objective is to help Pakistan develop into a moderate, prosperous, and democratic nation by addressing some of the most pressing needs of the Pakistani people: Education for their children; health care, especially for mothers and children; economic opportunities, particularly jobs for young people; and building democratic institutions and practices to help the Pakistani people gain a voice in their government.

How has this strategy been translated into specific programs?

Pakistan needs to respond to the urgent problems facing its children and youth by providing a quality basic and higher education program which will give them the skills to find jobs in the modern economy. The U.S. is helping upgrade public education, placing emphasis on improving the quality and affordability of Pakistan's public schools. This allows parents of limited means to pursue educational opportunities for their children beyond religiously oriented madrassahs. At the same time, we are aware that an educated population will pave the way for long-term and lasting benefits for all Pakistanis—economically, socially, and politically.

USAID also recognizes that the level of health in Pakistan, particularly maternal and child health is among the worst in the world. USAID's program is helping save the lives of thousands of Pakistani mothers and children from illnesses which can be prevented—such as polio and tuberculosis.

USAID developed a program to promote democracy and governance in Pakistan in order to help the Pakistani people develop more responsive political parties, and the legislative, civil, and legal institutions needed to change this status quo.

Economic recovery and growth has begun, but is not yet providing the rural poor opportunities to improve their livelihoods, nor is it producing enough jobs to keep pace with Pakistan's burgeoning population. USAID has undertaken activities to help Pakistan compete in the world arena—by providing microfinance and larger loans for small- and medium-sized business and boosting the competitiveness of industries such as furniture, marble, and granite that can potentially be exported.

What is the strategy driving the various components of this support? What are the goals?

USAID's strategy in Pakistan addresses four major development areas: Education; maternal and child mortality; democratic institutions and civil society; rates of poverty and unemployment. Components of the program give particular attention to relieving these constraints in the earthquake-affected areas and in the FATA.

Pakistan's education sector faces immense challenges. Of 22 million children between the ages of 5 and 9, only 42 percent attend school. Historically, less than half of Pakistani children who enroll in school complete 5 years of schooling; for every 100 children beginning first grade, only 6 complete grade 12. Poor teaching and learning results in students leaving the system with no capacity for critical thinking, or much worse, remain illiterate. Male literacy (65 percent) is much higher than adult female literacy (40 percent); the disparity is more pronounced in rural areas (58 percent for men and 29 percent for women). Teacher absenteeism is high and many schools are in disrepair. Pakistan has several excellent universities, but social and economic costs place higher education beyond the reach of most poor students, especially women.

USAID's education goal is, "Increase Knowledge, Training, and Infrastructure to Develop High Quality Education Programs." USAID's existing education strategy supports basic and higher education. USAID has supported the following components of the Government of Pakistan's education reform strategy: Improving education policies and administrative and management capacity; providing support to

teacher education and professional development; improving access to education by building and upgrading schools; and addressing special needs in the FATA and the earthquake-affected areas. The current program increases access to higher education by providing needs or merit-based scholarships to Pakistani students and by supporting the world's largest Fulbright scholarship program.

Health indicators in Pakistan continue to be among the worst in the world. Seventy-eight of every 1,000 live births result in infant deaths and 350–500 mothers per 100,000 die every year from pregnancy and delivery complications. Other health problems afflict thousands more; these include malaria, communicable diseases including tuberculosis and acute respiratory infections. Pakistan remains one of only four countries worldwide that suffer from endemic polio.

Pakistan's unhealthy population puts a huge burden on national resources and stifles economic growth. Good health improves learning and increases labor productivity, leading to improvement in other crucial indicators such as literacy and economic growth. Healthier people can contribute economically and are less likely to lose hope and turn to extremism. USAID's maternal and child health program has already produced tangible improvements in the lives of Pakistanis, a major objective of the USG's Muslim Outreach Initiative.

USAID has adopted several approaches to improve democracy and governance in Pakistan.

One of the goals of U.S. foreign policy in Pakistan is to strengthen the country's democratic institutions and practices. Legislatures, in particular, can play a strong and positive role in governance. USAID efforts to strengthen democracy support: (1) Improved representation and responsiveness of national and provincial legislatures; (2) greater civil society, media, and political party engagement in policy dialog; (3) devolution of authority and operation to local government institutions, making them more responsive to the public; and (4) strengthening the electoral system and public oversight of the election process.

In the long term, USAID's work to strengthen democratic institutions will help establish a stable and democratic future for the people of Pakistan. In the immediate future, this work will encourage Pakistan to hold free, fair, and credible elections in early January 2008. USAID provides assistance to Pakistan for voter education, political party development, computerization of the voting rolls, training of political poll watchers, and domestic and international election observation missions to ensure that Pakistan follows a path of democratic change.

Economic growth in Pakistan has averaged 7 percent over the past 5 years, which has resulted in a decrease in the percentage of Pakistanis living below the poverty line from 33 percent at the end of the 1990s to around 25 percent today. However, not all Pakistanis have benefited from this sustained economic growth; income distribution particularly in the rural areas remains very unequal.

The Government of Pakistan has made progress on major economic reforms, including restructuring the financial and telecommunications sectors; foreign and domestic investment; strengthening state regulatory entities; and devolving governance and fiscal management responsibilities to the local level. The multilateral development banks have played a substantial role in the reform effort, from technical advice to budget support. Positive impacts from these efforts include robust economic indicators, record levels of foreign investment, and the largest foreign reserve levels in Pakistan's history. These results, in combination with Pakistan's strong support for the war on terrorism, have led to increased donor investments in social sector support in recent years.

Continued economic growth will produce more jobs, which can accelerate and thwart those who would recruit the unemployed for terrorism. Given Pakistan's demographic bulge (63 percent of the population is under age 24), job creation is paramount.

USAID's programs support the Government of Pakistan's strategy to reduce poverty and encourage economic growth, and are helping create new employment opportunities for poor Pakistanis, especially in rural areas. USAID/Pakistan has increased economic opportunities for the poor by: (1) Increasing community development programs, especially small infrastructure projects; (2) increasing access to microfinance in rural and urban areas; and (3) assisting small and medium enterprises in key sectors, helping them to generate improved employment opportunities.

Nonproject assistance provides cash to support mutually agreed upon objectives. Since September 11, the U.S. has provided very substantial nonproject assistance to the Government of Pakistan. A \$600 million Economic Support Funds (ESF) grant in November 2001 (FY 2002) paid down debt owed to the U.S., the World Bank, and the Asian Development Bank. The Government agreed to disburse the equivalent amount of rupees to support a dozen social sector line items in the Federal budget. (In fact, the rupee disbursements for the agreed upon social sector pro-

grams far exceeded the equivalent of \$600 million.) In FY 2003, approximately \$186 million in ESF was used to fund the subsidy cost of debt relief for the Government of Pakistan and that forgave \$1 billion in outstanding U.S. official debt, approximately one-third of its outstanding U.S. debt at that time. No conditionality was attached to the FY 2003 program.

Beginning in FY 2005, the U.S. has been providing \$200 million annually in non-project assistance.* Dollars are exchanged for rupees, and the Government of Pakistan and the USG negotiate and agree on the purposes for which the Government of Pakistan will use those rupees.

[*This is part of a larger administration commitment to Pakistan that began in FY 2005 and continues through FY 2009 of \$300 million per year in economic assistance and \$300 million per year in military assistance.]

Now, as Assistant Secretary Boucher has indicated, in FY 2008, the full \$300 million in Economic Support Funds will be projectized. This additional project funding will be implemented through U.S. contractors and grantees who would work with provincial and local governments as well as Pakistani NGOs and private sector organizations. We are still developing the program plans but we expect that the additional programming will impact three program areas. The first is education, which we believe is fundamental to Pakistan's forward progress toward democracy, prosperity, and stability. Our approach to education assistance in Pakistan is comprehensive—training teachers, building schools, providing scholarships with the premise that these actions will reduce the number of children exposed to extremist teachings. Second, we will direct resources to improving child and maternal health, thereby allowing the U.S. to visibly touch the lives of millions of Pakistanis and fill a critical need. Third is an economic element—we want to expand job training for unemployed youth, generate jobs by building small infrastructure in communities, and help farmers get out of poverty.

Earthquake reconstruction began after the devastating earthquake on October 8, 2005. The USG pledged to spend \$200 million over 4 years on a wide range of activities to rebuild the area. Individual activities were undertaken to clear rubble, help the landless get housing, rebuild schools and health facilities, improve health conditions, and increase rural incomes. Systemic changes were also targeted to improve the capacity of the health and education systems, and to increase economic activity by helping important industries to expand and generate more jobs.

Fiercely independent, some people in FATA do not want to be governed by the Government in Islamabad. Some feel alienated from the Government of Pakistan because they have received very little. Security concerns make it difficult for the government to provide social services, and the lack of social services make it more difficult for the Government of Pakistan to increase security in the FATA. USAID's strategy is to improve economic and social conditions in the FATA through a broad range of programs consistent with the Government of Pakistan's FATA Sustainable Development Program.

What is the detailed breakdown of all USAID support to Pakistan since fiscal year 2000?

The following table provides a breakdown of funding since 2000 per USAID sector.

Education	\$256 million
Democracy and Governance	84 million
Emergency Economic Assistance	1.6 billion
Economic Growth	70 million
Health	169 million
Earthquake and Reconstruction	106 million
Program Support	9 million
FATA	105 million
 Total	 2.4 billion

THE IMPACT OF USAID IN PAKISTAN

Are these goals being achieved?

Since 2002, USAID has achieved the following:

In education:

- More than 400,000 children have benefited from USAID education programs—resulting in a 15.5-percent increase in student enrollment in USAID-supported school districts.
- USAID trained 45,600 teachers and administrators in improved teaching techniques. These people were then observed to be practicing what they had learned

in the classroom setting. These techniques positively affect student achievement and educational advancement.

- USAID awarded 906 in-country higher education scholarships since the program started in 2004. Since 2005, 235 Pakistanis started master's or Ph.D. studies in the U.S.

In health:

- USAID's support to the tuberculosis efforts in Pakistan helped district governments improve diagnosis and treatment quality, and provide better access to public care facilities for TB patients. This has helped the case detection rate to reach the WHO standard of 70 percent, and meet an 85-percent treatment success rate.
- Since 2004, the number of children vaccinated during every national immunization polio day campaign rose from 29.8 million to 33.5 million. The number of polio cases dropped from 40 in 2006 to 18 in November 2007—with most areas not experiencing an outbreak for over 2 years.
- USAID has trained 1,404 traditional birth attendants since 2004—preventing unnecessary deaths from obstetric complications.

In democracy:

- USAID has helped the Electoral Commission of Pakistan to curb vote tampering by updating the national voter registration list, computerizing electoral rolls, improving election complaints, and providing transparent ballot boxes and security seals for the January 8, 2008, elections. USAID has also provided voter education, political party assistance, and training and support of domestic and international observers.
- USAID trained 1,290 local leaders (including 283 women) in budget oversight, leadership skills and participatory planning for better service delivery. In one of the targeted six districts, USAID-trained public health workers began to track the usage of medicines in clinics, and have prevented stock shortages using information technology.

In economic growth:

- USAID provided over 350,000 microfinance loans in 25 rural districts and peri-urban areas—generating business opportunities for over 100,000 entrepreneurs.
- USAID's competitiveness program has brought together businesspeople in six sectors. These business people developed strategies to improve their industries' competitiveness in the global marketplace. USAID's \$11 million investment generated over \$50 million in new private investment and over \$102 million in government support—creating more productive businesses and employees.

What determined the mix of programs across sectors?

USAID sectoral activities address the root causes of poverty and instability in Pakistan. Lack of education and poor health impede productivity. An absence of economic opportunity and political choice fuels frustration and violence.

In the spring of 2001, USAID received specific legislative authority to work on education with the Government of Pakistan. USAID's Pakistan Planning Framework document of May 2001 states that USAID received this authority in response to “the grave state of the public education systems and the belief that a poorly educated populace impedes economic development and more readily supports extremist actions.”

Thus, from the beginning of USAID's reengagement with Pakistan, education has played the central role. When USAID reestablished a full mission presence in Pakistan in the wake of the September 11, 2001, attacks, programs to address needs in health, economic growth, and democracy were added creating the current robust assistance program. Administration commitments made in conjunction with high-level negotiations have played a role in further program selection, e.g., the commitments to provide \$300 million per year from FY 2005–09 for economic aid (\$100 million in project support and \$200 million in nonproject or budget support), \$50 million per year from FY 2007–09 for earthquake reconstruction, and \$750 million over 5 years (FY 2007–2011) for sustainable development in the FATA. All these activities are directed toward the overarching goal of helping Pakistan develop into a moderate, prosperous, and democratic nation. These activities also complement existing programs of other donors in the country, such as the U.K.'s Department for International Development, or in other cases working jointly on programs such as with the Government of Japan in the FATA education response.

What oversight mechanisms are in place to ensure that this assistance is being used for legitimate purposes?

All USAID contracts and grants are supervised by trained personnel to ensure the activities spend resources in order to obtain the agreed-upon objectives. Regular financial audits are performed. Evaluations of projects after they end—and in some cases earlier—are part of our business approach. USAID has been hiring additional staff to increase project monitoring.

SUPPORTING USG AND PAKISTANI PRIORITIES

To achieve the end-state of a prosperous, moderate, and stable country, the United States and the Government of Pakistan are working together very closely to strengthen opportunities for Pakistanis. USAID has been very responsive to the evolving situation in Pakistan—supporting the earthquake relief efforts, assisting with Cyclone Yemyin this past summer, and in developing a long-term plan to address the needs of the tribal areas.

What proportion of USAID assistance is spent in the FATA region?

We estimate that USAID allocated 6 percent of funds for FY 2002–07 to activities in the FATA.

What are the goals for assistance in this region and are they being achieved?

The goals of USAID's assistance program to the FATA are to help the Government of Pakistan integrate the people of this strategically critical region into the rest of the country—economically, socially, and politically—to give the people of the FATA a stake in Pakistan's development and to help them experience the economic and social benefits and services that come with this integration. Most importantly, this program will work on strengthening the capacity of local government institutions in the FATA to address the needs of citizens there.

USAID has designed a comprehensive program for the region that addresses the major constraints that impede development in the region, with a focus on promoting economic growth through development of small and medium enterprises, markets, education, job training, health care, and community development activities.

How is the civilian assistance coordinated with the U.S. support for the Pakistani military?

Coordination takes place at weekly FATA meetings which are chaired by the DCM and attended by representatives of the U.S. military, USAID, and all other members of the Embassy team that provide assistance to FATA. Similarly, thrice weekly country team meetings chaired by the Ambassador, address coordination issues. The U.S. Embassy has recently filled a FATA assistance coordinator position in Islamabad.

Does USAID have a strategy to sustain support for Pakistani institutions over the long-term?

USAID builds sustainability into the design of each program. The major role of USAID technical assistance is to undertake the training and capacity-building that will ensure we leave behind teams and institutions in place that have the skills and systems needed to keep programs operating after USAID projects end. These efforts form the heart of USAID activities worldwide. Thus, in earthquake reconstruction, we not only rebuild schools, but also work with communities and schools to improve the quality of classroom instruction and establish parent and teacher groups that will take responsibility for upkeep and maintenance of school buildings. In higher education, we have a long history of creating and sustaining high-quality schools that provide leadership for Pakistan. In health, USAID's work supports public and private institutions that provide services and strengthen human resources for health care. These include district-level governmental institutions as well as commercial institutions providing health care products to communities and individuals.

In FATA, we face many development challenges. However, one of the largest components is capacity-building of the FATA government so that it can more effectively govern this territory.

CONCLUSION

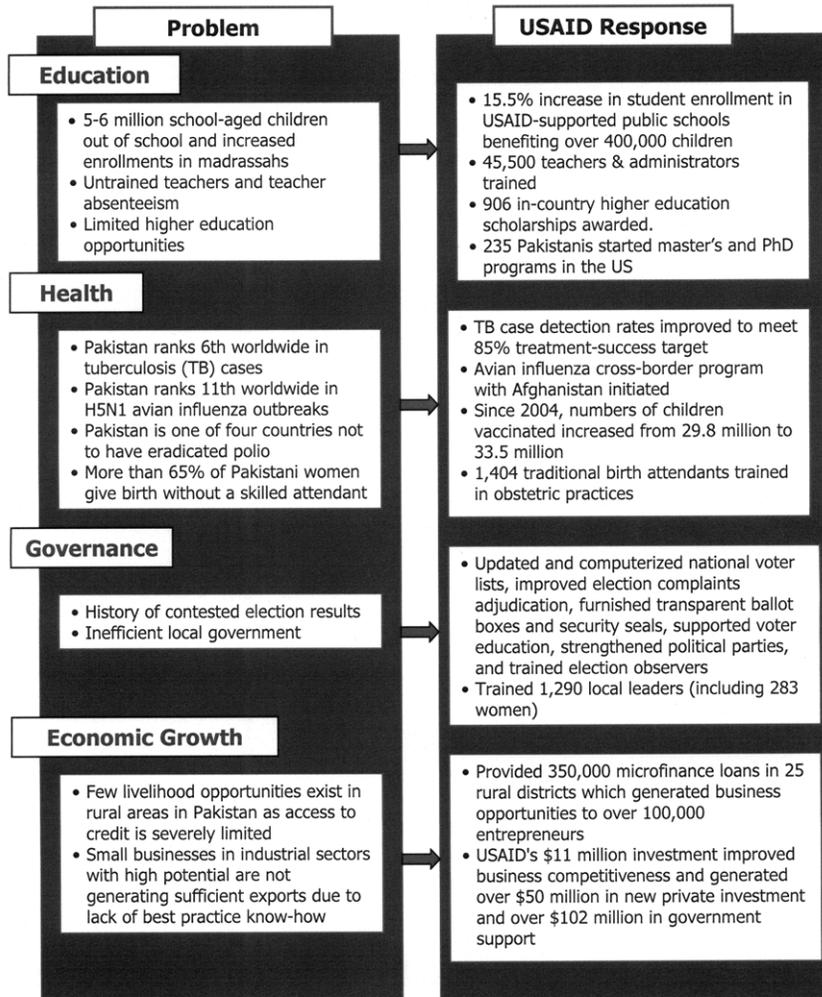
Mr. Chairman, although we have come a long way in Pakistan, no one seeks to underestimate the challenges ahead. Recent events have shown that the road back to democracy in Pakistan isn't as smooth as we would expect it to be. Our commitment is to the people of Pakistan, as they embark upon a long-term development course. The strong, long-term U.S. commitment that we display is making the difference, and it must continue with intensity.

We at the U.S. Agency for International Development appreciate all that your committee does to support this most important endeavor. Thank you again for this opportunity to appear before this committee. I look forward to taking your questions.



USAID
FROM THE AMERICAN PEOPLE

PAKISTAN: USAID ASSISTANCE



Senator MENENDEZ. Thank you for your testimony. We'll start with 7-minute rounds and the Chair will recognize himself.

You know, Mr. Secretary, I listened to your testimony. I read your testimony and it is fair to say we have no particular criticism. We're happy with Pakistan because all I heard verbally is that we're pretty much happy with the way things are.

Mr. BOUCHER. No; I think we've been quite critical. We were quite critical with the state of emergency. We were very critical in

the crackdown on the media. We've been critical of some of the arrangements made for the election. We just keep pushing and try to overcome these obstacles. I think in terms of our assistance programs, I think we can be quite proud of what we've done to help the education system, the health care system, things like that and economic growth.

Senator MENENDEZ. Why do we take 6 years to come to the conclusion that the \$200 million that we are now providing was much better served in having it be programmatically delineated versus just giving it to the Pakistani Government?

Mr. BOUCHER. This money was part of the Presidential commitment that started in 2004 and I think at that time, the decision to do it this way was in part based on the fact that we didn't think we had the ability at that point, to spend all \$200 million on the economic side. Jim, you might be around and know that better than me. But I think also, as the situation evolves, as it develops and as there are concerns about sort of the gross, the general nature of some of the budgetary support, even though we know its goal is to increase spending in certain categories so they have increased health care spending by 59 percent in the last couple of years; education spending by 58 percent because in part of our support. But even though we know the macroeconomic effects and the budgetary effects, I think everybody with the state of emergency as with recent events felt they wanted more direct knowledge—

Senator MENENDEZ. Obviously, we are unhappy about something if we have come to the conclusion after this experiential factor that we as a government are better served, as are the Pakistani people, by having a programmatic designation of a significant amount of money, \$200 million versus continuing to just have it flow. I heard Mr. Kunder try to suggest that everything was great with what we did and I heard you make a statement that you've made a major decision to move in a different direction. You know, it seems to me that we obviously have found some significant reason to change the course.

Mr. BOUCHER. I think we heard a lot of concerns on the Hill and we shared those concerns, given the recent turmoil and the politics that we all wanted to know more specifically that our money was going to the kids who deserve a better education and the mothers and children who deserve better health care.

So, it was—we had a discussion within the administration. The economists said no, you're better off doing it as budgetary and macroeconomic support because it serves both the economic benefit and an education and health care benefit. But I think we all kind of decided it was better at this juncture to make sure it was spent directly on the people we wanted to target with that money.

Senator MENENDEZ. Let me turn to the Coalition Support Funds. I know you want to distance yourself from it. The reality is that on November 5 of this year, the State Department Deputy spokesperson, Tom Casey, when asked about aid figures for Pakistan, gave a figure of \$9.6 billion since 2001. Now, that obviously includes Coalition Support Funds. Otherwise he's way off base.

But I'm sure he's not that off base so clearly. He was talking about the Coalition Support Funds as aid and I look in your testimony of today, on page 7 and you say in your testimony, "The

Department of State must concur on the reimbursement.” We’re speaking about Coalition Support Funds and the Office of Management and Budget must be consulted. Embassy Islamabad is working with the Department of Defense and the Government of Pakistan to make the Coalition Support Funds reimbursement process more supportive of U.S. policy goals and to ensure that we get maximum value for the money expended and Embassy Islamabad has, on more than one occasion, denied or sent claims back to the Government of Pakistan for further clarification.”

So it seems to me that the State Department has a significant role to play here, even though you want to distance yourself from it. I would be interested in what is it that the Embassy has done when it has denied or sent claims back that it thought was not appropriate. What role is the Embassy playing in trying to make sure, quote from your words, “that we get maximum value for the money expended?”

Mr. BOUCHER. Sir, I’m glad to address these funds. Just try to remember, they have a slightly different character than the assistance money. This is not in general, adding to the money available—

Senator MENENDEZ. Well, it’s all our citizens’ money.

Mr. BOUCHER. It’s all our citizens’ money and we want to make sure it pays—it goes to the ends that the Congress appropriated it for, frankly and that is to support the people who are fighting and dying in the war on terror.

Our Embassy has a role. First they receive the receipts from the Pakistani Government. They review them. They ask questions about them. They try to identify the exact purposes, make sure that the receipts are well substantiated. Then they pass them on to the Central Command, which validates the link to our military operations so that it is seen clearly as a part of the war on terror. Then it goes to the Department of Defense Comptroller that evaluates to ensure the costs are reasonable and credible. Then they do a determination by the Deputy Secretary of State, send a notification to the Congress. It comes up here for 15 days and then the Comptroller releases funds to the Defense Security Corporation.

Senator MENENDEZ. Well, I appreciate you reading—

Mr. BOUCHER. A lot of people go through them.

Senator MENENDEZ [continuing]. The procedure. That’s not my question. Maybe let me try to synthesize it better since I know you were the Department spokesperson for one time and can deal very well in foiling with words.

The question is, Does the Department of State and your Embassy, other than this perfunctory role you just described, do anything to “make sure that we get the maximum value for the money expended”? Other than saying, yeah, this is appropriately in accordance and pass it on.

Mr. BOUCHER. Yes; and I think the—

Senator MENENDEZ. What exactly is that?

Mr. BOUCHER. I think the most direct way that takes place is at the interface between the Embassy and the Pakistanis. It is the Office of Defense cooperation the Embassy that does it but the Embassy Ambassador is responsible. They look at the receipts. They ask questions. They ask, you know, who is this fuel for? What’s

that—where has that road been built? And they look at it to make sure that in their mind, before it goes up this long chain of people to review, it really is directed at the ends it has been appropriated for; that is, fighting the war on terror.

We are constantly working with the Pakistanis, sometimes holding up receipts, asking questions; sometimes rejecting them. But we're constantly working with them to make sure that they know that we want to spend our money, we want to reimburse them for real costs that they incur in fighting the war on terror and not for more general costs they might incur.

Senator MENENDEZ. Not for like putting the police and the military on the streets arresting lawyers and doing all of those activities that we just saw. So I hope we're not reimbursing them for that.

Mr. BOUCHER. That's right.

Senator MENENDEZ. Because when they're doing that, they're obviously not fighting terrorism.

Mr. BOUCHER. OK, exactly.

Senator MENENDEZ. I have more questions but I'll turn to the distinguished ranking member, Senator Hagel.

Senator HAGEL. Mr. Chairman, thank you. You, in your testimony, Secretary Boucher, noted a couple of times the state of emergency conditions in Pakistan emergency rule. My question is, If in fact, President Musharraf lifts the emergency rule on December 16—by December 16—do you believe then that—and you touched upon this to some extent in your comments—that there can be free, fair elections held in January or February of parliamentary and local elections?

Mr. BOUCHER. I do think they can have a good election. They can have a credible election. They can have a transparent election and a fair election. It's not going to be a perfect election. One would not want to have such disruption with the media and the political parties this close to any election. That obviously changes the atmosphere a bit but I think particularly if we keep working at it and they keep working at it and they do what they've pledged, what President Musharraf and the political party leaders have pledged. They can have an election that really does reflect the choices made by the people of Pakistan.

Senator HAGEL. Do you believe that he, in fact, will lift the emergency rule by December 16?

Mr. BOUCHER. I think he has made a very, very clear public statement that he will do so and whenever he has done something like that, for example, on taking off the uniform and becoming a civilian, he's carried through on it, at least in recent months. So yes; I do believe he will lift it on December 16.

Senator HAGEL. Mr. Kunder, do you wish to respond to this question?

Mr. KUNDER. We've put in place, working with the electoral commission, widespread distribution of transparent ballot boxes, building up the kinds of observer systems so with regard to technical support, I believe that many of the tools will be in place to guarantee a free and fair election.

Senator HAGEL. Mr. Secretary, what would be your analysis of former Prime Ministers Bhutto and Sharif's political impact on the

elections and on politics in general and the direction of Pakistan as they have now returned?

Mr. BOUCHER. Senator, I want to make sure you ask that question of some of the experts on Pakistan who are coming after me and I'll listen very intently to their answers because they really—they have probably a broader and longer perspective than I do.

I do think it is important for the election that the major political party leaders are back. Each of them has faced different circumstances in being out of the country. Some of those were resolved and they were able to come back and I do think that given the nature of politics in Pakistan, where there is a lot of personality involved, there's a lot of sort of loyalty to parties based on families and leaders, that their return helps mobilize major political forces in Pakistan and that will lead to a better contest. So I think, in the end, it's a good thing for the election to have those people back in the country, leading their parties.

Senator HAGEL. So it's a positive effect?

Mr. BOUCHER. Yes.

Senator HAGEL. Mr. Kunder, would you wish to respond?

Mr. KUNDER. Nothing on that one, sir.

Senator HAGEL. Let me turn to the IMET assistance. Could you explain a little bit how those IMET funds have been used, are being used, what you believe has been achieved through the IMET program?

Mr. BOUCHER. Sir, I think around the world, IMET is one of the most important programs that we have. It's the way of connecting with military leaders in other countries, many of whom sometimes get involved with politics; but hopefully don't. But we also do a lot of professional training, not just in how to shoot guns and command units but how to act professionally, how to work with civilian authority, how to engage in the appropriate practices for an army, human rights practices, and things like that and I think the kind of training they get in the United States is very good.

There was a period when we didn't do any training for the Pakistani Army so there is a group, a cohort of officers that have not had a lot of training and what we're trying to do with our IMET money now, is to continue the long-term engagement of the Pakistani Army and the training that we've done but also play a little catchup, too, and make sure that we are training and working with some of those officers who missed out on an experience in the United States.

You talk to individuals in Pakistan, as in other places, and you find that the experience of getting military training in the United States, along with American military, not only improves them as officers, as officers in terms of their carrying forth the battle but also in terms of the way they respond to civilian authority, the way they respect the rights of civilians that they might encounter along the way and I think it is a positive impact. So we've had substantial programs these last few years and we want to continue that.

Senator HAGEL. Mr. Kunder, do you want to say anything?

[No response.]

Senator HAGEL. Secretary, you testified and I think this is in your written testimony that the Embassy and DOD are working to make sure that Coalition Support Funds are, in your words, more

supportive of U.S. policy goals and you, I think, noted this in your response to the chairman on a review of assistance programs recently. My question is, What are the concerns that have prompted this effort, this question about or assurance that these funds are more supportive of U.S. policy goals, the previous close to \$6 billion. Have they not been supportive of U.S. policy goals or where have they not been supportive? Can you clarify that?

Mr. BOUCHER. You know, I think—let me say, I do think it definitely has been supportive of U.S. policy goals and the number I have, I think, is \$5.3 billion. But I understand also the committee just got today some information, some responses from the Defense Comptroller and they're the ultimate authority on these things.

Looking through what they've got, I'm not sure I see a number but anyway, I guess the way I would characterize it is since this is a reimbursement, we look at receipts. I'd say for the last year or more, we've been asking more questions about those receipts to make absolutely sure they are for the things that they are intended for.

Second of all, I would say we've had more of a dialog recently with the Pakistanis, saying hey, you know, what we want to do is pay for this, that, and the other. I've been out to the border. I've seen the fishing scouts who guard the border down near Quetta and they've got some things provided through our narcotics program but they're missing night vision equipment. There are a lot of guys out there that need various kinds of support and you do more border posts, we'll do more support for them.

So more of a dialog in terms of saying, here's what we really want to reimburse you for. These are the kinds of things that we'd like to see you do and we'll be glad to reimburse you for them.

Senator HAGEL. Mr. Kunder, would you like to respond?

Mr. KUNDER. There has been, as Richard said earlier, frankly sir, a raging debate about the best way to do this. I mean, purely from a technical point, there are a lot of my colleagues who would say, if you really want to build the long-term institutions of Pakistan, probably the best thing you can do is work in a cash transfer mechanism with the Ministry of Education, with the Ministry of Health instead of bringing in outside experts from the American consulting community and the American NGO community. So we've had a serious debate about this.

Just to take a second to explain how this works—we have sat down with the Ministry of Education, for example, and if we've agreed that a certain portion of the cash transfer would go to that Ministry, we've worked out in pretty good detail whether that money would then generate more resources for teacher training academies and then we've tracked whether, in fact, the budget line item for that went up. So I believe there has been accountability and there has been impact.

But now what we'd like to be able to say is, maybe there's a particularly innovative program in Sindh province or in a city somewhere that we really want to focus attention on, and that's the added value that you get for moving to a projectized system where we'll be more directly involved. From a technical point of view, it's been a pretty solid debate about what is the right way to get the kind of maximum systems impact you want to have in Pakistan.

Senator HAGEL. Thank you.

Mr. Chairman, thank you.

Senator MENENDEZ. Thank you, Senator Hagel.

Senator Feingold.

Senator FEINGOLD. Thank you very much, Mr. Chairman. I thank the witnesses. To begin, I'm very concerned that the administration support for President Musharraf is shortsighted and misguided. Obviously, serious questions remain about President Musharraf's assistance in fighting al-Qaeda, which has strengthened and reconstituted itself on the border between Pakistan and Afghanistan. Meanwhile, the extraordinary and antidemocratic measures President Musharraf has taken are inconsistent with American values and likely to increase the appeal of extremist groups in that country. So I'd like to have, at this point, each of you address the impact of our support for President Musharraf has had on stability and democracy in Pakistan.

Mr. BOUCHER. I guess I would say that, I mean, first you have to understand. The man is the leader of Pakistan, Pakistan's key ally. We work with him and his government as a key ally in the war on terror and he is someone who has set broad strategic goals for the country that are indeed compatible with ours, of moving it away from extremism, of opening up the economy, of emphasizing better education and other services for the citizens.

We've also worked, as you've noted, in our aid programs. We've spent a lot of money on education, a lot of money on health, a lot of money on economic growth, where they've achieved remarkable successes, which have benefited people throughout the country. We're now spending more money on developing the tribal areas, giving these people there an opportunity to find jobs, to get education, to get health care. And that goes along with the Pakistani program. We're putting in \$750 million over 5 years. They're putting in \$1 billion in the same timeframe. So their money is going in there, too. So we cooperate on these things.

I think our assistance, frankly, in some of these areas that directly benefit the Pakistani people, is probably underappreciated for a variety of reasons. But we do work with the government and we look forward now to a democratic transition. We've seen bumps in the road, mistakes, setbacks, an emergency rule, which we thoroughly disagreed with, a crackdown on the media, we thoroughly disagreed with and then we've seen some of those things pulled off and for better or for worse, through all these problems, we're going to have a different situation in a couple months. We will have a civilian President. We will have a civilian elected Prime Minister. We'll have a different Chief of the Army and a different sort of political configuration in Pakistan between the different parties and the different people and the different centers of power. Power will be more dispersed and we'll work with that situation, too.

Senator FEINGOLD. I want a chance to follow up here. I listened to your answer. Bumps in the road? This is a lot more, Mr. Boucher, than bumps in the road. This is a frightful situation of an attack on a democracy and my question to you was regarding the impact our support for President Musharraf has had on stability and democracy in Pakistan, not how you can justify what he has done.

What impact has our support had on stability and democracy in Pakistan? Are you saying it hasn't had any negative impact?

Mr. BOUCHER. I think that our emphasis, our pressure on moving to a democratic transition has had an impact on President Musharraf. Part of the reason why we are in a period of transition to democracy right now, part of the reason why there are political leaders in Pakistan contesting elections that will be held in a month, part of the reason why the state of emergency, once imposed, is going to be lifted soon, is because of the role of the United States because we do—it works both ways. Yes; we support what the Pakistani Government is doing against terror but we also push very hard for the transition to democracy.

Senator FEINGOLD. Mr. Kunder, do you want to respond?

Mr. KUNDER. Just to supplement, sir, what I mentioned in my opening statement, is that the aid that has gone in has, in large part, gone to institutions of the Pakistani Government, like the Independent Electoral Commission or to strengthening the Parliament and, we believe, have continued to support the long-term growth of democracy or have gone directly to benefit the Pakistani people.

Senator FEINGOLD. Let me go to human rights. The State Department's 2007 Report on Human Rights gives Pakistan poor marks on human rights, citing police corruption, lack of judicial independence and serious gender discrimination. Can I ask you gentlemen how we're addressing these concerns in our aid programs?

Mr. BOUCHER. Do you want to take that one?

Mr. KUNDER. Well, specifically sir, you mentioned the judicial sector. This is an area where we are, in fact, spending a large number of our democracy and governance funds to strengthen the independent judiciary, to strengthen the legislative functions of the government and so while I take your point, sir, my point is that we are, in fact, addressing those issues head on with our aid program.

Senator FEINGOLD. Well, give me more specifically, update me on how State and USAID development and application of conditions, benchmarks or goals is being done. What—give me a little more detail on what you're doing.

Mr. KUNDER. I have to say, I'd have to read it. I don't read the Human Rights Report every week, sir. But the judicial system is an area where, for example, what we've done is offer technical assistance to build up the judicial research capacity, to build up the institutions in the Parliament. I can tell you, specifically, there was not the kind of legislative recordkeeping, there was not the kind of staff support for the individual parliamentarians and what we looked at was a long-term, institution-building perspective. We did not put conditions on the Parliament as part of receiving that aid but rather, we looked at what we thought were the underlying elements of fragility in the democracy and tried to design the programs around strengthening democracy in the long run.

On the electoral commission side, we've tried to strengthen the Independent Electoral Commission as an institution and then put in place the—as I mentioned earlier, literally the transparent ballot boxes, the corps of election observers and then strengthening the political parties to become more issue oriented in their discussions.

So what we tried to do is assess the underlying weaknesses in the system and then put some of the resources into those areas.

Mr. BOUCHER. Well, if I could add something, sir?

Senator FEINGOLD. Yes, please.

Mr. BOUCHER. A couple examples—\$13 million of our money this year is for local government and decentralization. These are programs that work on a local level to develop representatives for the people, better local government systems and gender issues are always a part of those projects, as they are throughout our aid programs.

In our education programs, one of the emphases is keeping girls in school and there are a variety of very innovative programs, reading programs and things, just building dorms near the schools. We're doing this up in the tribal areas so that the girls can be safe when they go to school and that's trying to redress gender issues, gender problems that have been throughout Pakistan.

So better local governance in particular, is an area of emphasis as well as, as I say, gender issues permeate our aid programs throughout.

Senator FEINGOLD. I thank the witnesses. Thank you, Mr. Chairman.

Senator MENENDEZ. Senator Lugar.

Senator LUGAR. I'd like to inquire more about the election preparation. As your testimony points out, the state of emergency is to be lifted on December 16 and the election is scheduled for January 8. That is just 23 days after the emergency is lifted and although the Republican and Democratic institutes, the Embassy, others have been setting up the transparent election system and various other aspects, which you have experienced, a question arises. As you say, in a country of 160-some million people, a good many of them lacking literacy, the school children you pointed out and adults, certainly at this point, confusion as to who the competitors are, who in fact, will be running in this election? The communication to a country this large and this diverse or the alternatives, is to say the least, daunting.

Now, it's a Pakistani decision. I'd assume we'd take that for granted and try to do the best that we can to be helpful. But at the same time the undercurrents, at least of accusations in Pakistan, are that President Musharraf, fearing that the supreme court was going to rule adversely on his election, displaced the supreme court and declared a state of emergency, claiming that he was fighting terrorism, while many in Pakistan would claim he was attempting to preserve his Presidency. Now he has appointed new judges who have ruled in his favor partially and he is President again while others remain displaced from the judiciary.

Having been an observer of many elections in Latin America during a period, and all around the world, there was a fairly well developed system of electoral competition. There were parties. There were persons who could be identified as candidates, whether the people voting were literate or not, with symbols in nature utilized so that people could make choices, even if they could not identify names or words; and at this particular point, it's not clear any of the above is a part of this procedure in Pakistan. So I just inquire the two of you as experts on the ground, is it our hope that the

two leaders that have returned, Mr. Sharif and Ms. Bhutto, will in fact be identified as two competitors? Will Pakistanis see that they have a choice between the two and that somehow a majority may form behind one or the other party and on the basis of this, some type of parliamentary majority might be formed that would be a check and balance with President Musharraf and/or the commander in chief of the armed forces or the courts; what is the most optimistic outcome of this scenario with the election on January 8?

Mr. BOUCHER. Senator, you know from your experience observing elections that an election, a good election is not made on election day. It's made in the months that preceded it; in fact, in the years that preceded it and we've had a large number of political programs, election programs going since about 2004, most of them—big funding was in 2006–07. We've been working with the parties, with the election commission. We've worked on voter lists, ballot boxes, counting procedures, voter education—just a whole slew of things to try to prepare the field. Journalists—teaching journalists, getting American journalists to go over and talk to Pakistani journalists about how to report and cover an election and how to do—we're financing parallel counts.

Senator Daschle has led two or three, several delegations going back months ago, way before the emergency, to go out and look at the election systems and look at what needed to be done to improve them. We've taken his recommendations. We've taken recommendations of political parties. We've taken recommendations of voting experts who have been out there working and tried to push on the things that we thought were most crucial, like having a good voter list, which there is a good voter list but probably—it was missing a lot of people and the court intervened and fixed it, perhaps in a way that may not have fixed it properly but we've pushed a lot on transparent counting so that every stage of the way, there is good count and numbers can't be inserted throughout there and indeed, President Musharraf and the election commission have promised a transparent vote count.

Senator LUGAR. Mr. Boucher, let me just say, I accept now the fact that you've done this technical work. Are we even assured the two leaders are going to run at all?

Mr. BOUCHER. We—no, we don't know for sure. They have not declared for sure but the last part of the question I should answer is that there has been a lot of politicking in Pakistan throughout. These leaders have been exiled but their parties have remained strong and active within Pakistan. Their return, I think, gives them leadership in the election. They have a lot of automatic support from the faithful and they have the opportunity now to sort of go out and try to build that to a broader base. It makes it a better election. It's not necessarily going to make it as good as it should be.

Senator LUGAR. Well, who will people vote for if the two leaders do not run?

Mr. BOUCHER. Who will they vote for?

Senator LUGAR. Yes. Who—

Mr. BOUCHER. Well, because it's parliamentary, you have party candidates with symbols at each district level throughout the country. If the parties decide to boycott, I presume their people would

not be on the ballot but I think, at least they're talking about the conditions under which they would participate. So we'll have to see. Certainly, we think that everybody—having everybody participate, having the leaders take an active role, would improve the quality of the election and improve the ability of the Pakistani people to see their choices reflected in the outcome.

Senator LUGAR. Let me just ask this. Regardless of who is elected, does the potential President or Prime Minister, Parliament or anyone else, share our fight against the Taliban and against al-Qaeda? Even after we see the parliamentary situation resolve itself, arise and come about, is there actually a sharing of our concerns? Is it not a fact that Pakistan has supported the Taliban historically?

Mr. BOUCHER. They have and they changed that. I mean, that was a decision they made very shortly after 9/11. It was a big decision for them and what we've done since then is try to work with them to get them to carry that out. I would say—my basic answer would be yes. All the major political party leaders do share our goals and share the goal of ridding Pakistan of extremism and not having it be a haven for al-Qaeda and other extremists. Some would go about it perhaps in different ways. Some may share those goals more than others but I think our intention is to work with whoever is elected and work with all the institutions of society, from the army and the Presidency to the civil society and the business community, to try to help Pakistan with what we think the vast majority of the Pakistani people want and that's a stable, democratic, and prosperous society.

Senator LUGAR. Thank you.

Thank you, Mr. Chairman.

Senator MENENDEZ. Thank you, Senator Lugar.

Senator Casey.

Senator CASEY. Thank you, Mr. Chairman. I want to thank you both for your testimony today and your service to our government. Mr. Secretary, Secretary Boucher, I was struck by one of the first sentences in your testimony, your written testimony. At the beginning of the second paragraph, you state and I quote, "President Musharraf's November 3rd imposition of a state of emergency, including reshuffling the supreme court, curtailment of press freedom and arrest and detention of journalists, lawyers, human rights advocates, political activists and party leaders, was a setback."

I have to tell you, I mean, part of what's in the room today is a real concern about credibility and a concern about how we present information. Now, there are a lot of ways to describe that list and I had an exhaustive list of problems and we could add to them. But I think to describe it as a "setback" is really downplaying the grave concerns that we have and I think that people in Pakistan and human rights and legal experts the world over have concerns about. So you can address it or not but I think there are better ways to describe—that list of problems doesn't even begin to describe what's been happening there.

Mr. BOUCHER. I take the point, sir. I don't think—I've never been given to dramatic terms of phrase. I do think, you know, we made very clear in public and in private, this was a very serious problem. It was a serious mistake and it created serious trouble for the elec-

tions. Thankfully, much of this has been reversed to some extent. Political party leaders and activists are back out of jail. Most—almost all, I think, all but GEOTV, the TV stations are back on the air. The radio stations are pretty much back. I heard today about one more that was back on the air. The lawyers are out there demonstrating. Human rights and civil society people have been released. We still do have a state of emergency, which is a serious—you know, it's a real distortion of the election process but despite all that, we seem to be heading back in the right direction and some of these serious mistakes are being reversed.

Senator CASEY. I take you at your word. I hope that your description reflects the reality on the ground. But let me move on to a related point. It's within that context of how we talk about this country but in particular, how we discuss the forthcoming election and I think there's a crisis of confidence there, too, that this election, no matter what you can put on a piece of paper as it pertains to changes that have been made or safeguards in place for the election, there is a real concern, I think, that even if you have—and I know that your colleague talks about USAID on page 8 of your testimony, sir, about the USAID help for the electoral commission and what's been happening there. But some have a real concern about the electoral commission, how it's put together and whether or not that commission can not only be independent but it can execute the way it has to execute to have a free and fair election. I'd ask each of you to comment, if you can, on how that commission was put together and whether or not you have concerns about the membership of it or the constitution of it or the methods or the methodology that was used to put it together. What can you tell us about that commission?

Mr. BOUCHER. I guess what I'd start by saying is, I can come up with a long list of problems in this election. The voter lists still aren't completely straight. The counting process, we think has improved. We think there are plenty of safeguards. We're not clear it's going to be fully transparent. We certainly pressed and hoped for that and worked to that.

The election commission has been, I would say, somewhat neutral but often ineffective. We've tried to get them to work with all the political parties and indeed; they've done that a little bit but not half as much as we think they should have. We think, throughout this process, they should have spent more time listening to the political parties and taking onboard their concerns and criticism and trying to fix those things. They've done a little bit of that but not enough.

There are dozens more. We have experts in the election commission pushing on these things every day. The Embassy pushes on them. We're still pushing on them. The big think coming up is the election. We have to make it as good and as credible as possible.

Senator CASEY. Sir.

Mr. KUNDER. I take your point, sir. I would not say that I depend solely on the electoral commission to drive all these processes. That's why we're trying, and in response to your question and Senator Lugar's question, we've got some pretty smart, tough-minded people at State and USAID and the party institutes out there, thinking this through. We've been on the phone to them. We're try-

ing to distill our lessons from what just happened in Venezuela with the referendum there. We learned some additional things, some lessons we're trying to apply, especially on, for example, critical linkages between observers and the media because if observers are getting certain election results at 11 p.m. and they can get that to the media and then you're announcing the results at 11 and midnight and 1 a.m., it's a little bit hard to change the election results at 8 o'clock in the morning. So we're trying to take our best lessons learned and try to build both on the civil society side and on the electoral commission side, the best tools we can to guarantee as free and fair an election as possible.

Senator CASEY. I've only got about a minute left. I want to get in one other major question. It pertains to their nuclear program and also the impact of potential terrorist activity as it pertains to their nuclear program. What can you tell us and I guess this is more directed to Mr. Boucher, what can you tell us, if anything, about whether or not—and I hope the answer to this is no—whether or not there has been any deterioration or weakening of their command and control infrastructure within their military or otherwise, as it pertains to their nuclear capability in the context of all this unrest?

Mr. BOUCHER. We would answer no to that. We don't think there has been a weakening. They—we're, I think, fairly confident that they have the proper structures and safeguards in place to maintain the integrity of their nuclear forces and not to allow any compromise.

Senator CASEY. Thank you very much.

Senator MENENDEZ. Thank you.

Senator CORKER.

Senator CORKER. Mr. Chairman, thank you. I appreciate it and I appreciate both of you coming to testify today. I want to say to the Secretary that we had an excellent visit last Thursday with Ambassador Peterson and with former Prime Minister Bhutto and President Musharraf and I know that you used the word, a bump in the road and Senator Feingold took issue with that and I know that I would just say that none of us really look at it as just a bump in the road and I know you didn't mean that. It was obvious that your Ambassador there is taking very seriously some of the miscues that occurred before and is stressing heavily with all of us and certainly with them, as we did with them, the need for fair and free elections, transparent elections.

I would say to Senator Lugar that I was struck in meeting with Ms. Bhutto at her home in the dining room, with her strong desire to counter terrorism and I think that sometimes we forget the fact that terrorism is a far greater threat to Pakistan itself internally than it is even to us today, here. So I think they do, in fact, take it very seriously.

I was also struck by the—sort of the emotional impact, if you will, to President Musharraf in taking off his uniform. Somebody who had been in the military for 40 years and the impact on him and we remarked jokingly how good his suit looked on him instead of having the uniform and it actually did look sharp. But you know, I think he is very committed to being legitimate and trying to do those things to make him legitimate.

I do have concerns, like everyone here, that the infrastructure is not in place for that to occur; that those underneath him, mayors at the local level, the transporting of ballots, all those things, can, in fact, cause the election certainly to not be viewed as legitimate and not happen as legitimate and we have stressed heavily with him the fact that international observers need to be allowed in the country; that no visas should be denied and I think that's one area that can greatly taint this process.

I'd love for you to remark, if you might, about anything you're doing to ensure that international observers are allowed in the country and that no one in that regard is barred.

Mr. BOUCHER. Sir, let me, Senator, if I can, just start by thanking you for going to Pakistan and for what you did there. It's very, very strong supporters of congressional travel and I read the cables on your meetings and I think you really helped us advance the agenda and show that all Americans, from all parts of the government and throughout the body of politics in the United States want to push, want to see this to be a stable and safe transition and we want to see a result and a good election and an election that is free and fair and that they fix a lot of these real problems that they have created or allowed to persist, even at this late stage. There are many things they can do to help make the elections more free and more credible and that's what we are continuing to push for and you are.

The terrorism directed against Mrs. Bhutto on her return; that the rallies that were held on her return is one of the most horrible acts of terrorism that has occurred in Pakistan in a long time and I think it just shows that the terrorists are as much against this election as anybody is. They want to stop political forces from coming in. They want to stop moderate political forces from coming in and they want to stop the Pakistani people from being able to choose their government because they certainly would not be chosen.

On the observer question, we do think that having observers there, along with things like the parallel vote count and the transparent ballot boxes; all these things we've talked about but having observers is one of the most important, one of the best things we can do to help ensure a fair and free election. There are 20,000 domestic observers that we've helped train through a project with the—one of our cooperating partners—I can look it up but 20,000 domestic observers. They are the bulk in the eyes and ears at the polling places. In addition, there will be observers from the United States, Britain, other countries and as I said, we're encouraging Europeans and others to go as well. We've talked to the government. The government has said they welcome observers, that they will issue the visas, that they will facilitate the work of the observers as they go in and we'll hold them to that standard.

Senator CORKER. I think anything we might do to even help facilitate it and I think even in our government, which is very, very different, we have sometimes difficulty in calls and things to be carried out beneath, if you will, to the satisfaction that we'd like and I think that anything you might do through our offices there, really, to put the word out to international observers to facilitate even that visa process. I think that he was visibly stunned at some

of those—you know, I hope this was the case. It appeared that it was sincere—stunned that some of those visas had been denied and I think, wants to do what is necessary but I think we may need to help in that regard and I think a big outreach on our part would be very useful in this regard.

Mr. BOUCHER. Absolutely, sir.

Senator CORKER. Let me just ask a couple questions. How long has it been since there has been a peaceful transition of power in Pakistan.

Mr. BOUCHER. Let me commend the experts to you one more time. I don't think any of these previous transitions can be described as very smooth or peaceful. They were all the result of—

Senator CORKER. I think it's been about 60 years—

Mr. BOUCHER. Since the beginning.

Senator CORKER. I think that—while certainly I think a hearing to justify the aid that we're spending and I think for us to constantly analyze, I think for us to actually see what occurs over the next couple months is maybe most appropriate for us and to actually do everything we can to ensure these elections are free and fair and transparent and to hold him at his word. I think we'll know very soon whether this is actually occurred or not and I do wonder whether that's not a better time to even look at where our aid is going and how it is being measured. I'd love to have any response you might give in that regard.

Mr. BOUCHER. I think that's true. We will be working with a new situation in Pakistan, a new Government, a new Prime Minister as well as a civilian President Musharraf, a new head of the army and we'll, I think, continue to work with people and talk to them about their priorities and how we can help but also look at the situation and decide how to spend our money.

Senator CORKER. We've had a situation where we've had a leader who has acted as the political leader but also the military leader. I know that most people believe General Kiyani will be the new military leader there. My sense is that is something that could be very good for us; that we'd have one person totally focused on political issues. We then would have a military leader that is solely focused on terrorism and solely focused on military activities. I'd love for you to respond to that.

Mr. BOUCHER. I think that's true. I think part of this transition is because of the strength, the growth of civil society, the strength of the democratic forums, the pressure from people like us from outside but part of it is also because the army was tired of being blamed for everything; tired of being blamed for university admissions and the price of sugar and everything else and wants to get back to their real job, their real work and so I think everybody felt it was time to make this transition in Pakistan.

Senator CORKER. So just to summarize this segment, I know my time is up. It seems that we actually have an opportunity over the next couple months, if we keep the pressure on and the partnership going, to actually have a peaceful transfer. We actually have an opportunity to potentially have a military leader that may even be stronger as a partner because of more full focus and I think that maybe it's good for our country to focus on trying to make sure this all occurs in an appropriate way over the next 60 days and then

reassess how our aid levels ought to be, based on the situation at hand. Is that correct?

Mr. BOUCHER. I do think that's true. I think however it turns out, it's very important for us to maintain a substantial level of assistance for Pakistan because we want them to be able to fight the war on terror. We want them to be able to develop their democracy. We want them to be able to educate their children, take care of the babies and the health care needs of the population and recover from the earthquake. Those fundamental interests of the United States in seeing success in Pakistan in developing as a nation and fighting the war on terror are not going to change too much but how we go about it, how we work with a new situation is going to change and we'll have to be open to making any adjustments that are appropriate in the way we spend our money.

Senator CORKER. Thank you and thank you, Mr. Chairman.

Senator MENENDEZ. Thank you. I do have one other set of questions, some of it is derived from what I've heard here, and I just have got to make sure I hear you right, Mr. Secretary.

You know, in America, we have an election process that takes a year and a half to try to get to its ultimate conclusion. What you described as a bump in the road when people like Chavez do what they do in their country, we have much more specific language about that. So do you want to reiterate for me again that in response to Senator Lugar that when you take to these facts, you have the leaders of the opposition parties exiled from their country until recently? You have an emergency proclamation that is lifted 23 days before the election and you have the rest of the people who only just recently were released and all of those facts leads us to believe that the election is going to be, as you said, an election that is good, transparent, and fair. That's what you're telling the committee?

Mr. BOUCHER. I think those were all very bad things. Those were all very negative for the process but they are reversible. The fact that there are the leaders back, that there is politicking going on means there is a chance and we all ought to work for it.

Senator MENENDEZ. And it will be good, transparent, and fair? Your words, not mine.

Mr. BOUCHER. It can be good, transparent, and fair.

Senator MENENDEZ. Even with all of that as a background?

Mr. BOUCHER. Even with all that—

Senator MENENDEZ. Even with 28 days to the election?

Mr. BOUCHER. Even—because it wasn't just those 28 days.

Senator MENENDEZ. It's not just a question of 28 days. I can set a series of efforts to try to professionalize an election but if then I take the candidates and have them out of the country, if I then take my opponents and arrest them, if I shut down the press, if I ultimately don't lift the proclamation until less than a month before the election, I think that in other parts of the world, we'd have a much different view.

Mr. BOUCHER. I think we were very clear, sir, on the emergency. We were very clear on the media. We've been very clear on the need for the political transition of the President. I don't—you know, I don't know what the proper metaphor is. We were heading toward a transition. We were working on all these issues to make the

election free and fair. We got hit by a car along the way. It was a serious problem, made it much more difficult. We managed to reverse some of the effects of the declaration of emergency and we have a shot at doing a good election. I think you and others ought to try to make it that way.

Senator MENENDEZ. I want to look at the other comment you made that however it turns out, substantial funds have to continue to flow. That's the reality of what we're dealing with here in terms of the security equation to this and it's not an insignificant equation. But I think you pretty much said it. However it turns out, significant funds have to continue to flow so I think maybe we should be a little intellectually honest about this and say that that's really where our interest is but trying to move democracy down the road suggests that the framework that you describe can possibly be good, fair, and transparent is mind-boggling for me.

But let me ask one other set of questions here. No. 1, yes or no, Did the strategic review that the Secretary of State announced as it relates to Pakistan funding, produce any change outside of the \$200 million going to programmatic versus general support for ESF?

Mr. BOUCHER. At this point, we haven't decided on any other changes.

Senator MENENDEZ. Is this review continuing?

Mr. BOUCHER. We'll keep the situation under review because as we said, we're coming up on some big events.

Senator MENENDEZ. But does it—

Mr. BOUCHER. And those will determine how we spend our money.

Senator MENENDEZ. Does it have an end to it? Is there going to be a report about what the strategic review provided?

Mr. BOUCHER. I don't think there will be a formal report. We're glad if, you know, some time after the election, after we see how that turns out, we're glad to come back before the Congress and the committee and try to explain, if we have any further conclusions.

Senator MENENDEZ. It sounds to some of us that the strategic review was just to swage the bump in the road along the way.

Mr. BOUCHER. Sir, I know I said bump in the road but I said a lot of other things, too, and I do agree with you, these were terrible events that shouldn't have happened.

Senator MENENDEZ. Let me ask one last set of questions. A witness on the next panel, who we'll hopefully have up shortly, paraphrased to some of the opinions that several of them have, says the following: "The United States has made no effort to distinguish between military assistance, which is useful for our common counterterrorism efforts and aid with little or no connection to the war against al-Qaeda nor made provisions of the latter contingent upon cooperation with combating the extremists hiding in the FATA region and elsewhere in Pakistan." They also go on to say that the United States has "established economic and development programs that have frequently been unfocused, poorly conceived, or lacking in responsible oversight." How would you respond to that, Mr. Kunder?

Mr. KUNDER. I would respectfully disagree. I read the statement. I just saw that it was a stand-alone statement so I'd like to see

what analysis—if I have time, I'll sit and listen to the next panel but I simply disagree with that. As I tried to lay out in my testimony, we think our development program has been very carefully focused on what we think are the long-term problems facing the Pakistani people.

If I could just make one more comment, sir, I think this whole question about whether we review a program after an election and so forth is important. The Foreign Assistance Act, as you know, has not been rewritten in more than four decades now and buried in there is language that talks about how we're using foreign assistance to support our national security objectives and there's a lot of language in there that talks about how we're trying to advance human progress. I think the kinds of issues that Senator Corker raised are very profound issues because to some extent, numbers should vary as democratic performance varies but, it's a long-term process, and we should continue investing in the institutions in a big, poor country like Pakistan, to some extent, regardless of who the President or Prime Minister is, and I think it's on that issue that this debate turns because some of us think that regardless of who wins this election, the literacy of Pakistani citizens is critically important to our country in the long term.

So, to some extent, yes, we need to be doing reviews and we need to be examining who wins or loses elections but I think also buried in the Foreign Assistance Act, for those of us who are trying to be guided by law, is a lot of language that tells us to stick with it and turn the country around. These are profound issues, which I suspect I will not resolve with this statement.

Senator MENENDEZ. I think that's why probably everybody universally wants to work to turn the country around. They want literacy for the Pakistani people. They want those things that would help strengthen civil society. I just question about the way we're going about it.

Mr. KUNDER. Yes, sir.

Senator MENENDEZ. Last, \$10 billion later, Mr. Secretary, has the United States had access to A.Q. Khan, the Pakistani scientist who gave nuclear weapon—

Mr. BOUCHER. We have not had direct access.

Senator MENENDEZ. \$10 billion later? Do we not believe we should have access?

Mr. BOUCHER. We've had good cooperation. We've had information. We've seen them provide information to the international community so they can follow up and destroy the network.

Senator MENENDEZ. \$10 billion later, we have not had access.

Mr. BOUCHER. We've had good cooperation in getting information—

Senator MENENDEZ. But not direct access?

Mr. BOUCHER. But not direct access, yes sir.

Senator MENENDEZ. Thank you.

Mr. BOUCHER. Can I address the military side of your question? Because the FMF funds and you sort of made reference to them, they're very much focused on things that help in the war on terror—tow missiles, helicopters, P3s that help them do the maritime patrols that will help them support the maritime patrols that they're already doing. So very much a lot of those—that \$300 mil-

lion that goes to FMF annually is support for equipment and needs, training that will help them in the war on terror.

Senator MENENDEZ. It also gives them the ability to strengthen their military beyond on the war on terrorism, does it not?

Mr. BOUCHER. I would say that it's not—if you think of it sort of as the old NATO and the Warsaw Pact, they've had an army that was designed to defend the Plains of Punjab. This is money that's more attuned to the kind of things you have to do against extremism and terrorism.

Senator MENENDEZ. Any other Senator? If not, thank you both for your testimony. We'll keep the record open for a few days and any questions that may be submitted to you, we'll ask for your expeditious response. Thank you for your testimony.

Mr. KUNDER. Thank you very much.

Mr. BOUCHER. Thank you, sir.

Senator MENENDEZ. Let me welcome the second panel to our hearing today. We want to thank all of our witnesses for joining us: Ambassador Teresita Schaffer; the director of the South Asia Program at the Center for Strategic and International Studies; Dr. Lawrence Korb, the senior fellow at the Center for American Progress, and Dr. Robert Hathaway, the director of the Asia Program at the Woodrow Wilson International Center for Scholars. We're going to proceed to opening statements of all of our witnesses. Just as we had for our first panel, we ask you to synthesize it in approximately 7 minutes and we will, of course, include your full statement for the record.

With that, Ambassador Schaffer, it's good to hear from you.

**STATEMENT OF HON. TERESITA C. SCHAFFER, DIRECTOR,
SOUTH ASIA PROGRAM, CENTER FOR STRATEGIC AND
INTERNATIONAL STUDIES, WASHINGTON, DC**

Ms. SCHAFFER. Thank you, Mr. Chairman, and thank you, Senator Hagel, for inviting me to share my thoughts this afternoon at a critical time in Pakistan's history and in the long and turbulent history of United States/Pakistan relations.

Pakistan's location alone will guarantee that the United States needs to remain engaged with Pakistan over the long term. This is a hearing that I was told was about foreign assistance, which is not the only tool the United States brings to bear on this situation but it is a very important and highly visible one.

I believe that the United States needs to use its aid to invest in Pakistan's future and in the long-term viability of a decently governed state. At the same time, we don't want to encourage policies we find perverse or at variance with U.S. interests. These principles are not as contradictory as they may sound and I think they give us a pretty good guide to structuring our assistance in the future.

Let me start with U.S. economic assistance, which is our best instrument for investing in Pakistan's future. I believe we should shift the balance of our assistance toward economic aid and reduce the percentage of military assistance. I would suggest a ratio of about 2 to 1, between economic aid and security-related aid and I'm not including Coalition Support Funds in that calculus.

Within the economic assistance portfolio, our assistance should all be given in the form of projects rather than cash or budget support and I was delighted to hear that the administration wants to move in this direction. I am much less sanguine than Mr. Kunder about how meaningful it is to do the accounting exercise involved in having the receiving government prove how they have spent our cash money. All too often, the needle doesn't move in terms of the percentage of GDP that's being devoted to these efforts, which is what ought to mean something to us.

We need to invest in Pakistan's people, particularly education and health and I know those are important on AID's list. These sectors have been disastrously underfunded for over three decades and our aid should help redress that balance. But our investments also need to be visible to the people they are supposed to help. I actually agree with what Mr. Kunder said about institution-building but I think at a time when anti-Americanism is at such a high point, that it's important to capture people's imagination. For example, we might want to encourage visits by Project HOPE and similar special teams and then try to use them to drain people who will continue to staff rural clinics after the big white bird has left.

I'm not going to address Coalition Support Funds other than to say that I strongly support efforts to increase the accountability of how the money is spent.

On military assistance, I think my colleagues may have more to say. My only point is that we need to give priority to those things that directly support counterterrorism and counterinsurgency and things like F-16s are hard to justify on that basis. I know that the F-16 transaction has a lot of emotional baggage in Pakistan so I'm not here recommending that we pull the plug on that. I'm only suggesting that it is possible within the category of military assistance, to be selective and to calibrate that to our larger foreign policy goals.

You asked what impact U.S. assistance has on Pakistan's internal security and on its path toward democracy. The honest answer is, not very much. The United States, as you have just heard, has funded some valuable programs designed to improve election transparency and I certainly support those. I should say that I was a member of an NDI delegation that visited Pakistan in May and we spent a lot of time looking at the election procedures. We put out a very specific list of things that needed to change. I'm glad that the U.S. Government is now focusing on things like precinct by precinct announcements of election results. This was one of the things we picked up. There are lots of problems and they need to be dealt with.

But overall, U.S. policy toward Pakistan, until very recently, gave no serious attention to encouraging democracy. In the past 6 months that has begun to change and Ambassador Patterson has undertaken a remarkable outreach campaign to show United States support for a free press and free and fair elections. Unfortunately, I think her efforts are undercut by broad statements from the White House and elsewhere, suggesting that Musharraf is indispensable.

Mr. Chairman, I would suggest to you that working with Pakistan is indispensable but that no one leader merits that designa-

tion. What Pakistan needs to be able to work with us over the long term is a government that enjoys widely accepted legitimacy and is capable of pushing back against violent extremists that are challenging the writ of the state. I'm actually more concerned about the extremists' challenge in places that are within the settled areas of Pakistan, like the Swat Valley.

Legitimacy was never President Musharraf's strong point and he has lost popularity, legitimacy and ultimately, much of his political strength during the 9 months since he first tried to fire the Chief Justice. To me, this means that the United States should now focus on the process of elections rather than picking a candidate. An ugly election, which is likely unless things get turned around very quickly, will not settle the issue of Pakistan's governance or of its ability to defend the legitimate authority of the state.

Institution-building is absolutely vital, but I was distressed that the judiciary figured only very belatedly in the two previous witnesses' account of what institutions we need to support and when Mr. Kunder said we were supporting the judiciary, he was referring entirely to technical assistance at the lower levels. This is needed but there also needs to be an independent higher judiciary.

Your final question deals with the proposed assistance package for the Federally Administered Tribal Areas known as FATA. I support a major U.S. assistance package. The stakes could not be higher, both for our efforts in Afghanistan and for Pakistan's future as a decently governed modernizing moderate state.

Once the Pakistan Army went into FATA under heavy U.S. pressure, they started a process that they now have to finish, integrating this largely ungoverned region into the Pakistani state and society. This has involved, and will involve, heavy sacrifices for them. It requires a three-pronged strategy: Military, political, and economic. The part that we can help with is the third prong or the economic one.

Let's be clear. There is no school solution to the economic problems of the region. The social structures that once ran it are problematic and now largely destroyed without a good substitute in place. Whatever we do will involve risks, risks that it won't work and high risks that some of the money will go astray.

I think we need to try anyway, in spite of these risks, but we need to be both strategic and flexible in our funding. The two key objectives are job creation and popular impact, and the popular impact needs to be structured so that both Pakistan and the United States are seen in a favorable light. We need to gain the support of tribal leaders to the extent that they are still in place. In the short term, this probably means an emphasis on public works, especially for roads and infrastructure and on health.

I wouldn't start with education, though. That's a cause I've been pushing passionately for decades. However, it is not welcomed by tribal leaders and an effective program desperately needs their buy-in. I think that will work better on the second wave rather than the first.

But we also ought to experiment and encourage the Pakistan Government to experiment with ways of encouraging job creation through business development. Reconstruction opportunity zones

are a great idea but right now, this region doesn't produce anything exportable.

Why? The entrepreneurial talent is there. Part of what's missing is capital, not just microcredit but financing for small- and medium-sized businesses that can employ people. Part of what's missing is equipment, not necessarily complex and fragile equipment but tools that will permit those with some skill—marble cutting, furniture-making or some similar craft—to get greater economic benefit from it. Part of what's missing is infrastructure, especially roads and electricity. It's not just a question of building more. It may also be necessary to set up the system so that potential employers can access it and pay for it without the distribution lines having to go through nonpaying customers first.

We should encourage the agencies and the U.S. Government, whose expertise lies in encouraging business in tough places and here, I'm thinking particularly of OPIC, to go in there and try out a few things. Some of them may fail. That's what happens if you try something tough but if some succeed, we may sow the seeds of progress in the most demanding and most important challenge facing Pakistan.

Thank you.

[The prepared statement of Ms. Schaffer follows:]

PREPARED STATEMENT OF HON. TERESITA C. SCHAFFER, DIRECTOR, SOUTH ASIA PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES, WASHINGTON, DC

Mr. Chairman, Senator Hagel, thank you for inviting me to share my thoughts with you at a critical time in Pakistan's history and in U.S.-Pakistan relations.

United States ties with Pakistan have had a long history of turbulence and of contradictions. That is still true today: Pakistan is a critical partner in our struggle to keep terrorists out of South and Central Asia. It is also a troubled country, struggling to fulfill the people's desire for democracy and for good governance. Pakistan's location next to Afghanistan, where the United States has a major military presence and where a Taliban-led insurgency is under way, and next to India, with whom Pakistan has a major unresolved dispute, guarantees that we will need to remain involved for many years to come. Assistance is not the only tool that the United States brings to bear on this situation, but it is a very important one, and a highly visible one.

I believe that the United States needs to use its aid to invest in Pakistan's future and in the long-term viability of a decently governed state. At the same time, we don't want to encourage policies we find perverse or at variance with U.S. interests. These principles are not as contradictory as they sound, and I think they give us a pretty good guide to structuring our assistance in the future.

U.S. economic assistance is our best instrument for investing in Pakistan's future. We should shift the balance of our assistance toward economic aid, and reduce the percentage of military assistance. I would suggest a ratio of about 2:1 between economic aid and security-related aid (not including Coalition Support Funds).

Within the economic assistance portfolio, our assistance should all be given in the form of projects rather than cash or budget support. This is more labor-intensive for AID, but it is the only way to ensure that our money is supporting what we want it to. Dispensing cash in return for a statement that the receiving government has spent the equivalent amount on agreed development objectives is usually an accounting exercise that glosses over the fact that the government is not spending its own resources on these objectives.

We should invest in Pakistan's people—primarily education and health. These sectors have been disastrously underfunded for over three decades. We need to help redress that balance. Our investments need to be visible to the people they are supposed to help. The only recent time when U.S. assistance boosted people's attitudes toward the U.S. was 2 years ago, when the U.S. military provided such effective earthquake relief. Health spending could have some of the same effect. Together with the policy-related programs that we usually do, for example, we could capture people's imaginations by encouraging visits by Project Hope and similar special

teams—and then using them to train people who will continue to staff rural clinics after the special teams have left.

The largest single expenditure in our assistance profile is Coalition Support Funds. Technically, it's not assistance but reimbursement, but it is a major part of our budget. I support the calls for greater accountability of how this money is spent.

Others plan to address how our military assistance funds are spent, so I will not get into detail on this subject, except to say that the most important part of our military assistance is the part that directly supports counterterrorism and counter-insurgency operations. That needs to be the priority.

You asked what impact U.S. assistance has on Pakistan's internal security and on its path toward democracy. The honest answer is, not very much. The U.S. has funded some valuable programs designed to improve election transparency, and I certainly support those. But overall U.S. policy toward Pakistan until very recently gave no serious attention to encouraging democracy in Pakistan. In the past 6 months, that has begun to change, and Ambassador Patterson has undertaken a remarkable outreach campaign to show U.S. support for a free press and free and fair elections. Her efforts are, alas, undercut by broad statements from the White House and elsewhere suggesting that Musharraf is "indispensable."

Mr. Chairman, I would suggest to you that working with Pakistan is indispensable, but that no one leader merits this designation. What Pakistan needs, to be able to work with us over the long term, is a government that enjoys widely accepted legitimacy and is capable of pushing back against violent extremists that are challenging the writ of the state. Legitimacy was never President Musharraf's strong point, and he has lost popularity, legitimacy, and ultimately much of his political strength during the 9 months since he first tried to fire the Chief Justice. To me, this means that we ought to focus on the process of elections rather than picking a candidate. An ugly election—which is likely unless things get turned around quickly—will not settle the issue of Pakistan's governance or of its ability to defend the legitimate authority of the state. That goes beyond the scope of this hearing, but will profoundly affect the effectiveness of our assistance.

Your final question deals with the proposed assistance package to the Federally Administered Tribal Areas (FATA). I support a major U.S. assistance package for this area. The stakes could not be higher, both for our efforts in Afghanistan and for Pakistan's future as a decently governed, modernizing, moderate state.

Once the Pakistan Army went into FATA, under heavy pressure from the U.S., they started a process that they are now obliged to finish—integrating this largely ungoverned region into the Pakistani state and society. It has involved, and will involve, heavy sacrifices for them. Accomplishing this task requires a three-pronged strategy: Military, political, and economic. Our package can help with the economic program; the Pakistan military will need to develop a more effective military approach; and the political part of the puzzle is largely lacking.

So our aid package contributes to only one of the three key ingredients in a FATA strategy. Let's be clear: There is no "school solution" to the economic problems of the region. The social structures that once ran the region are problematic, and are now largely destroyed, without a good substitute in place. So whatever we do will involve risks—risks that it won't work, and high risks that some of the money will go astray.

This has led some people I respect to recommend that we stay away from funding development in FATA. I disagree: I think we need to try, and we need to accept those risks. But we need to be both strategic and flexible in our funding. The two most important objectives are job creation and popular impact; and the popular impact needs to be structured so that both Pakistan and the United States are seen in a favorable light. We need to operate in ways that will gain the support of the tribal leaders, to the extent they are still in place. In the short term, this probably means an emphasis on public works (especially for roads and other infrastructure) and on health. I wouldn't start with education, though that's a cause I've been pushing passionately for decades. However, it is not welcomed by tribal leaders, and an effective program needs their buy-in. We will, therefore, be more effective if we make education an issue for the "second wave" rather than the first.

But we ought also experiment, and encourage the Pakistan Government to experiment, with ways of encouraging job creation through business development. The Reconstruction Opportunity Zones that the administration supports are a great idea in principle, but right now, this region produces little or nothing that's exportable. Why? Entrepreneurial talent is there. Part of what's missing is capital—not just microcredit, but financing for small- and medium-sized businesses that can employ people. Part of what's missing is equipment, not necessarily complex and fragile equipment but tools that will permit those with some skill in marble-cutting, furniture-making, or some similar craft to get greater economic gain from it. Equip-

ment leasing might be a good way to fill this gap. Part of what's missing is infrastructure, especially roads and electricity. It's not just a question of building more, there may also be a need to set up the system so that potential employers can access it (and pay for it) without the distribution lines having to go through nonpaying customers first.

We should encourage the agencies in the U.S. Government whose expertise lies in encouraging business in tough places—I'm thinking especially of OPIC—to go in there and try out a few things. Some of them may fail—that's what happens if you try something tough. But if some succeed, we may sow the seeds of progress in the most demanding and most important challenge facing Pakistan.

Senator MENENDEZ. Thank you.

Dr. Korb.

**STATEMENT OF DR. LAWRENCE J. KORB, SENIOR FELLOW,
CENTER FOR AMERICAN PROGRESS, WASHINGTON, DC**

Dr. KORB. Thank you very much, Chairman Menendez, Ranking Member Hagel, Senator Lugar. I appreciate the opportunity to appear before you today. I can't think of a more critical issue facing the country than our relationships with Pakistan and obviously foreign assistance plays a key role in our ability to influence events there.

There's no doubt about the fact that Pakistan is a difficult ally. It has nuclear weapons, as you pointed out before. It's a nuclear proliferator and it has allowed the Taliban and al-Qaeda to reconstitute itself on its borderlands from which they are causing us problems in Afghanistan and could be a potential for launching attacks around the world.

I believe that our current foreign assistance strategy no longer serves U.S. national interest nor is aligned with the values our country stands for and I think we must rethink our aid package. It's important to keep in mind that we've had an on-again, off-again relationship with Pakistan in the aid area. If you go back and you take a look going back to the beginning of the cold war up until 2001, it's been—we've changed several times but one thing becomes clear. During that period, if you take a look, there was more economic aid than military aid. Since 2001, we've tilted the balance the other way and emphasized much more in military assistance than the economic assistance.

Now as was pointed out here earlier that if you take a look at the—about, somewhere between \$10 and \$11 billion in foreign assistance to Pakistan since 9/11, about 60 percent goes to the Coalition Support Funds. I think it's unfortunate that people from the Department of Defense are not here to talk about that but if you take a look at that, you'll find out that while we consider it a form of repayment rather than assistance, it's very hard to tell where all of that money is going.

Another 15 percent has been spent on security assistance and again, as has been pointed out here, a lot of that goes to purchase major weapon systems such as F-16s, which would be certainly more applicable for a conventional war with what the Pakistanis perceive as their major rival, India.

Fifteen percent has gone toward budget support or direct cash transfers to the Government of Pakistan and only 10 percent has been used specifically for development and humanitarian assistance. I believe that this has got to change and I've got a couple of recommendations that I'd like to put forward.

First of all, when giving our aid, we need to develop a relationship with the people of Pakistan. We need to focus on institutions not individuals and we cannot let particular changes of government or particular leaders influence our relationship with the Pakistan people. And in order to maintain our influence with Pakistan, we must engage with all of Pakistan's institutions and promote—place a greater emphasis on promoting democracy, economic development and education, which leads to my second recommendation.

We need to expand nonmilitary aid. As has been pointed out already, the best we can calculate and this is one of the other things that's very frustrating. It's hard to find out how much aid is going and who is in charge of it in terms of the coordination but it seems about 75 percent has gone to security-related assistance. I support Senator Biden's proposal to guarantee approximately \$1.5 billion as a baseline for nonsecurity-related aid as a sound recommendation. He says unconditional but I don't think unconditional should mean unmonitored or unaudited, which leads to my third recommendation.

I think we need to increase the transparency and coordination of our aid. As you've seen with the Special Inspector General for Iraq, we instructed you many times that the aid doesn't get to where it's supposed to and I think what we need to have is the same level of scrutiny with our relationship with the money we give to Pakistan.

There should be conditions on the aid. I agree there should be a baseline but over and above that, there should be conditions and one of them—and I've been urging this before the Congress and publicly for the last 2 years, is on the debriefing of A.Q. Khan. I think that is very, very critical that we find out because the proliferation of weapons, of nuclear weapons and them possibly falling into the wrong hands is a tremendous threat to our security.

I think we also need to maintain a continuing relationship with the Pakistani military. As my colleague will point out, everybody knows that the new Army Chief of Staff went to Leavenworth. We don't want to publicize that too much because we don't want him to be seen as a tool of the United States. But if you take a look at the number of military officers from countries around the world, Pakistan is not near where it needs to be. It's below countries such as Egypt and Jordan and we need to increase that number.

Then finally, we need a regional approach. As we've seen in so many conflicts around the world, we can't do it by ourselves. We need to reengage with all the countries in the region, including China, India, and Saudi Arabia.

In the final analysis, a stable and friendly Pakistan is critical to our interests in South Asia as well as the Middle East but our aid policy has to ensure that we maintain that stability and the good relations and I hope that this hearing is the beginning of a renewal of that process.

Thank you.

[The prepared statement of Dr. Korb follows:]

PREPARED STATEMENT OF DR. LAWRENCE J. KORB, SENIOR FELLOW, CENTER FOR AMERICAN PROGRESS, WASHINGTON, DC

Chairman Menendez, Ranking Member Hagel, and members of the Senate Foreign Relations Subcommittee on International Development and Foreign Assistance,

I appreciate the opportunity to appear before you with these distinguished experts to discuss the critical subject of reassessing our foreign assistance to Pakistan. I cannot think of any issue more important to our future security and I commend you for holding this hearing.

Recent developments in Pakistan are deeply troubling to U.S. interests both in the country and in the region. Without question, Pakistan is at best a difficult ally and poses some of the most complex and dangerous challenges to the security of the United States. Not only is it a nuclear-armed state and a nuclear proliferator, but it has allowed al-Qaeda and the Taliban to establish safe havens in its territory from which it is able to conduct terrorist operations in Afghanistan, Pakistan, and around the world. Furthermore, Pakistan faces growing instability as extremist elements have gained control in the border regions and as democratic forces finally begin to challenge President Musharraf's increasingly autocratic rule.

The Bush administration has been a steadfast supporter of President Musharraf since he said he would help the United States in our war against the Taliban and al-Qaeda following the September 11 attacks. Since that time, the United States has provided nearly \$11 billion in aid to Pakistan, mostly to the Pakistani military to support what can only be described as a discombobulated policy.

I believe that the policy of the Bush administration toward Pakistan is no longer serving U.S. national security interests; nor is it aligned with the values that our country stands for. Part of the problem with our policy is how we, and ultimately the Pakistanis, allow our aid to be allocated. Congress must rethink its U.S. aid package. While not the only factor, this aid gives us some leverage to influence events in Pakistan and enhance our security interests.

Before providing a short list of recommendations on future foreign assistance, I will outline briefly the history of U.S. aid to Pakistan, and analyze current aid levels to Pakistan. This will place these recommendations in their proper context.

HISTORY OF U.S. AID TO PAKISTAN

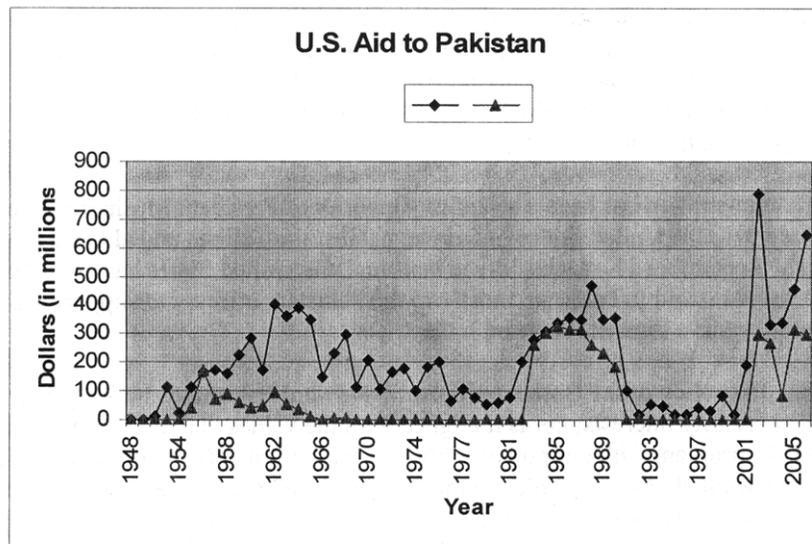
Over the past half century, the United States assistance to Pakistan has been intermittent. As a result of a 1954 mutual defense assistance agreement, the United States provided nearly \$2.5 billion in economic aid and nearly \$700 million military aid to Pakistan between 1954 and 1964. (Since the United States first began its aid program to Pakistan, our assistance has come in many forms from a number of different agencies. Throughout the report, I have broken down our aid assistance into two broad categories: Wide-ranging economic aid and purely military aid. It is important to note that the category of economic aid includes large amounts of Security Support Assistance (SSA) as well as other security-related loans and grants.)

The Indo-Pakistani conflicts of 1965–1971 led the United States to suspend nearly all aid to Pakistan (as well as to India) assisting them almost exclusively with economic aid for the next 15 years (\$1.45 billion in economic aid, \$26 million in military assistance from 1965–1971; \$1.1 billion in economic aid, \$2.9 million in military assistance from 1972–79).

In 1979, the Carter administration suspended all aid to Pakistan (except for food aid) because of Pakistan's development of a uranium enrichment facility. With the invasion of Afghanistan by the Soviet Union, U.S. assistance again increased dramatically, and this high level of aid continued throughout the 1980s as Pakistan became the intermediary and central staging ground for covert U.S. support to anti-Soviet forces in Afghanistan. Aid rose from around \$60 million in economic and development assistance in 1979 to more than \$600 million per year in the mid-1980s. In total, the U.S. gave \$3.1 billion in economic assistance and \$2.19 billion in military assistance from 1980 until 1990.

Even while the U.S. was pumping large amounts of aid into Pakistan and Afghanistan to help defeat the Soviets, concern within the U.S. about Pakistan's nuclear ambitions led Congress in 1985 to pass the Pressler amendment to the Foreign Assistance Act. The Pressler amendment required the President to certify that Pakistan did not have a nuclear weapon for the fiscal year in which aid is to be provided. Throughout the 1980s, President Reagan and George H.W. Bush certified that Pakistan did not; however in 1990 the elder President Bush refused to confirm that Pakistan did not have nuclear technology, and as a result most economic and all military aid was cut off. Aid to Pakistan dropped dramatically from 1991 to 2000 to a mere \$429 million in economic assistance and \$5.2 million in military assistance. The U.S. blocked delivery of major military equipment, including approximately 28 F-16 jets that Pakistan had already paid for. Pakistan continued to receive only a small amount of economic assistance, mostly in the form of food aid and counternarcotics support. Aid to Pakistan was further restricted after its 1998 nuclear tests and General Musharraf's 1999 coup.

Not surprisingly, this on-again, off-again history of U.S. assistance has left the people of Pakistan and its leaders with serious concerns about the depth and reliability of the U.S. commitment to their well-being. This was especially true after the withdrawal of the Soviet Union from Afghanistan in 1988 and the end of the cold war when many leaders in this country mistakenly concluded that Pakistan had lost much of its strategic and geopolitical value. Aid levels reflected this belief, they dropped from \$726 million in 1988 to \$24 million 4 years later (after President George H.W. Bush refused to certify Pakistan did not possess a nuclear weapon). This has led many Pakistanis to conclude that they could not count on us and that the U.S. is an unreliable ally at best.



Squares= Economic Aid Triangles= Military Aid

USAID Greenbook of Foreign Assistance. All figures are in millions of dollars. All figures are in historic dollars. <http://qesdb.cdie.org/gbk/index.html>.

CURRENT U.S. AID TO PAKISTAN

Our current aid to Pakistan has been characterized by a lack of accountability, transparency, coordination, and shortsightedness. Immediate U.S. security-related goals, while critical in our efforts in the current fight against radical extremism, undermine and are often contradictory to our long-term strategic objectives for the country and the region. An analysis of where current U.S. assistance is going is an indication of our priorities and our long-term challenge in Pakistan.

The best estimate is that since 2001, the United States has given about \$10.6 billion in foreign assistance to Pakistan. It appears to be distributed as follows:

- Sixty percent of U.S. aid has gone toward Coalition Support Funds (CSF). These funds are given to reimburse the Government of Pakistan for its efforts in what the Bush administration labels the "Global War on Terrorism" (GWOT). They are considered by the U.S. administration to be a repayment rather than assistance. However, since there has been little accountability or transparency of this funding, it is uncertain if in fact these funds are being used to fight the GWOT.
- Fifteen percent, or close to \$1.6 billion, has been spent on security assistance. The Pakistanis have used the majority of these funds to purchase major weapons systems, such as F-16s, for possible use in a conventional war with India, the country they perceive as their major strategic threat.
- Another 15 percent has gone toward budget support or direct cash transfers to the Government of Pakistan. This money is supposed to provide macroeconomic stability and to free up funds for social spending, but few transparent accountability mechanisms are built in.
- The remaining 10 percent has been used specifically for development and humanitarian assistance.

This breakdown makes it clear that the vast majority of current U.S. assistance goes to the Pakistani military. This is exactly the opposite of our aid policy prior to 2001, where military aid was the smaller portion. Comparatively little has gone toward economic development, institution building, or education assistance despite the fact that improvements in these fields are central to eradicating extremism, which thrives in the absence of development. The areas of most concern to the United States, the borderlands of Pakistan—where al-Qaeda and the Taliban thrive—have some of the lowest human development indicators in the world. Approximately 60 percent of the population lives below the national poverty line and female literacy is 3 percent in this area, among the lowest in the world. People's livelihoods in this area depend on subsistence agriculture and smuggling of items, such as opium and weapons.

It is also important to note that because of a lack of transparency, the exact amount of total aid to Pakistan is unknown. This lack of transparency is an enormous impediment to understanding not only our aid's ultimate destination but also its effectiveness. Furthermore, there is little coordination among the various agencies of the U.S. Government which disperse aid to Pakistan. The various departments and agencies responsible for allocating aid to Pakistan are each responsible for only one aspect of the total program in Pakistan and oversee fragmented pieces of the overall assistance picture. While this practice is not limited to our aid to Pakistan, it is a part of a much larger problem which will be discussed later on in the recommendations section.

These problems notwithstanding, the magnitude of U.S. aid to Pakistan and the importance of Pakistan to U.S. national security demand that Congress answer the question: Is this aid advancing our long-term goals both within Pakistan in particular and the region in general?

To answer this question, it is important first to define current objectives for U.S. aid to Pakistan. The Bush administration's primary focus is on short-term military objectives, specifically counterterrorism measures. These include the killing, capturing, and detaining of domestic and international terrorists. The priority given to this goal is reflected in the distribution of the aid package. As noted above, the vast majority of assistance is directed toward coalition-related activities in fighting terrorism, benefits to the Pakistani military in the form of security assistance, and direct cash transfers, to be used essentially at the government's discretion. In all, this represents an overwhelming proportion of the aid given since 9/11, 75 percent or some \$7.5 billion.

While the Pakistani security forces have provided some assistance in the killing and capturing of a number of high-profile al-Qaeda terrorists and other militants, this purely militaristic approach has not been effective in defeating the extremists. In fact, as last summer's National Intelligence Estimate revealed, in the Pakistani borderlands al-Qaeda and the Taliban have reestablished their command and control and have reconstituted their training camps for suicide bombers and other extremists. Cross-border attacks into Afghanistan from Pakistan have increased dramatically in the last year. Moreover Talibanization is increasing all throughout Pakistan, as members of the Taliban have gained control in the Northwest Frontier Province and increased suicide attacks throughout the country.

The allocation of military aid by the Musharraf government has only compounded the problem. It has committed an overwhelming portion of security-related aid to noncounterterrorism related programs and weaponry, which have little to do with U.S. national security. For example, instead of Pakistan spending the bulk of U.S. assistance on counterterrorism measures (such as training, hardware, and equipment) for regular and irregular Pakistani military forces, the vast majority of our foreign military financing (FMF) has gone toward the purchase of major weapons systems such as F-16 fighters and other aircraft, antiship, and antimissile capabilities. In FY 2006, Musharraf's government signed an arms deal with the U.S. for \$3.5 billion, making Pakistan the largest recipient of U.S. arms in the world in that year; this amount nearly matches the total value of all Foreign Military Sales (FMS) program purchases by Pakistan from the United States for the entire period from 1950 to 2001 (in current dollars). These systems have no role in counterterrorism missions against al-Qaeda and the Taliban but are geared primarily to fight India, which Pakistan sees as its major conventional rival.

Apart from killing and capturing some key leaders, the Pakistani military has been very ineffective at meeting U.S. goals. In fact, on September 6, 2006, it actually signed a deal with tribal leaders in North Waziristan to withdraw the Army and leave the area under the control of the militants. Three months later, al-Qaeda and the Taliban used this deal to consolidate their control over the tribal regions on the border with Afghanistan. It is only now, more than 6 years after the September 11 attacks, that the Bush administration, in collaboration with the Pakistani

Government, has finally begun working on a counterinsurgency strategy along the borderlands of Pakistan to address the safe havens for al-Qaeda and the Taliban and the growing extremism.

Recently, the administration has outlined a plan to enlist tribal leaders to fight against al-Qaeda and the Taliban. The primary objective of this plan will be training, equipping, and financing a tribal paramilitary force, the Frontier Corps. The proposal is modeled on the U.S. success in allying with local Sunnis against al-Qaeda in Al Anbar province in Iraq. However, the circumstances in Pakistan are fundamentally different from Iraq. The conditions, which caused Iraqi Sunnis to turn against a foreign al-Qaeda presence, do not exist in the Federally Administered Tribal Areas (FATA). The Taliban is an indigenous force with deep roots in the area, and it is supported by many of the tribes that this plan would attempt to enlist. In the absence of reliable allies or a coherent strategy, flooding an unstable, hostile region with money and arms is a recipe for disaster. The last thing that Pakistan needs is more unaccountable, unconstitutional, and uncontrollable militias. We should rather give priority to the political and administrative integration of FATA and the extension to this area of constitutional, legal, and other public services.

Combating extremism and terrorism in Pakistan will require much more than military solutions. The Bush administration has almost exclusively focused on these elements, despite the recognition in its own National Security Strategy of 2006 that democratic forces are in fact the real antidotes to terrorism.

The U.S. Agency for International Development's (USAID) plan to provide \$750 million in economic assistance to the Federally Administered Tribal Areas (FATA) is a move in the right direction. While this may be a good start, it is late in the game. Furthermore, it is unclear what the strategy is, or whether realistic accountability mechanisms can be put in place in such an unstable area. Moreover, given that the region is openly hostile to foreign influence, the U.S. must be cautious about putting a "Made in America" stamp on our assistance. In many of the programs already in place in FATA, aid is delivered anonymously to avoid the complications of association with the U.S. Government.

RECOMMENDATIONS

In considering the configuration of aid to Pakistan, it is important to keep in mind the warning of Defense Secretary Donald Rumsfeld, "Are we capturing, killing, or deterring and dissuading more terrorists every day than the madrassas and the radical clerics are recruiting, training, and deploying against us?"

In analyzing the current structure of U.S. assistance to Pakistan, I am convinced this is not the case. Battling extremism and terrorism in the long term in Pakistan will require a shift in U.S. aid toward Pakistan. I recommend the following actions to bring about this shift:

Developing a relationship with the people of Pakistan

In order to effectively battle extremism and terrorism in Pakistan, the U.S. must shift from an aid policy centered in short-term military cooperation with an individual leader to one focused on developing a long-term relationship with Pakistan and its people. In order to maintain our influence in Pakistan, we must engage with all of Pakistan's institutions and place a much greater emphasis on promoting democracy, economic development, and education. Throughout the country, ties to the Pakistani military will continue to be important, but the U.S. must balance support for the military with support for democratic development.

Expand nonmilitary aid

The United States should expand aid toward nonmilitary elements in Pakistan, addressing the roots of the growing threats of extremism and terrorism and supporting democratic forces in Pakistan. As noted above, 75 percent of our current aid (more than \$7 billion since September 11, 2001) has gone to security-related assistance. This must change. Nonmilitary aid should be increased and directed toward strengthening governmental institutions, moderate education, economic development and civil society. As part of this, we must be careful about how we provide aid, as assistance from the United States will be looked on with suspicion. We must be wary of a "Made in America" tag. Senator Biden's proposal to guarantee approximately \$1.5 billion as a baseline for nonsecurity-related aid unconditionally is a sound recommendation and should be supported. But unconditional cannot mean unmonitored or unaudited.

Increase transparency and coordination

U.S. aid toward Pakistan must be more transparent and coordinated. There has been insufficient oversight of how U.S. taxpayer dollars have been spent in Pakistan

and insufficient coordination within the U.S. Government. The Special Inspector General for Iraqi Reconstruction (SIGIR) has been a critical tool in determining the impact and efficacy of billions of dollars in reconstruction money to Iraq. The overwhelming financial burden to the United States, not to mention the stakes of the effort in Pakistan, call for the same level of financial oversight in Pakistan. Similarly, the National Security advisor and his staff should ensure that all U.S. agencies are on the same page.

Condition Aid

Congress should condition some portion of the military aid on future political developments in Pakistan's transition to a more democratic future. While this is not feasible for all military assistance, Congress should put conditions on aid for big-ticket weapon systems. Conditions should have performance criteria including: Ensuring that the State of Emergency is lifted as planned; releasing political prisoners; restoring of the constitution (including restoration of the rights of assembly, free speech, and other civil liberties); and restoring civilian rule of law and an independent judiciary. In addition, the U.S. must insist on debriefing A.Q. Khan to learn the full extent of his proliferation activities. The ability of Saudi Arabia to get Musharraf to allow former Prime Minister Sharif to return from exile demonstrates that outsiders can influence the Pakistanis.

Maintain a relationship with the Pakistani military

Conditioning aid on political developments is obviously a difficult balancing act. The military has been and will remain a major force in uniting the country, and its cooperation is essential to the fight against al-Qaeda and by extension, our efforts to stabilize Pakistan. The United States needs to maintain its military-to-military contacts, even while threatening a withdrawal of some aid from the military if it refuses to give more priority to counterinsurgency operations.

CONCLUSION

These recommendations should not and cannot occur within a vacuum. Several diplomatic, political, and military steps are also necessary to achieve an enduring relationship with Pakistan. Our aid must move beyond a largely transactional relationship between the United States and Pakistani leaders toward addressing the country's main drivers of instability and extremism. Our aid must empower the secular, civilian, democratic political leaders to bring real improvements in the lives of everyday Pakistanis.

Pakistan has a strong and influential moderate majority. If that majority is not allowed to express itself and voice its grievances with the government, this group will build an alliance of convenience with Muslim extremists who, today, are still in the minority. To prevent this, we must move away from a personal relationship with whoever is controlling Pakistan at a particular time to a long-term relationship with Pakistan's people and institutions. To put it bluntly, the U.S. must engage the Pakistani people, not just its rulers.

The U.S. should also adopt a regional approach. This will include reengaging with all the countries in the region including China and India, renewing our focus in Afghanistan, and beginning a phased U.S. troop withdrawal from Iraq in order to provide more forces for Afghanistan, the real central front in the GWOT.

This will allow the U.S. to address core issues that are relevant to the Pakistani people. These include existential concerns with India, the occupation of Iraq, core Palestinian issues as well as our inconsistent policies on human rights and nuclear weapons.

A stable and friendly Pakistan is critical to the United States interests in South Asia as well as the Middle East. While our continued relationship and vast foreign assistance gives us leverage in Pakistan, we must begin to reassess our current aid policy as well as our overall strategy toward Pakistan and with its people in order to maintain our influence in the country over the long term. I hope that this hearing will be the beginning of this process.

Senator MENENDEZ. Thank you.
Dr. Hathaway.

STATEMENT OF DR. ROBERT HATHAWAY, ASIA PROGRAM DIRECTOR, THE WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS, WASHINGTON, DC

Dr. HATHAWAY. Thank you, Mr. Chairman. I appreciate being asked to testify today. Thank you, Senator Hagel and Senator Lugar, for being here. I need to say that I speak just for myself and certainly not for my institution, the Woodrow Wilson Center.

Mr. Chairman, I want to applaud you for your lead on this issue, your leadership, for your interest in the issue. I noted in the letter that you wrote to Secretary Rice last month, to which you referred, that you had raised sweeping questions about whether we were getting good value for the \$10-plus billion we've spent in Pakistan since 2002. You didn't remark publicly today but I think it's worth pointing out that you also, in this letter, took pains to emphasize that you value Pakistan as a strategic ally and that your concerns about the purposes to which United States assistance is being put and about its effectiveness don't in any way suggest that you have doubts about whether or not this is an important relationship for us.

To the contrary, I take your interest in this issue as a signal that you believe this is a very important relationship and that's why we have to make it work. I'd like to simply concur in that judgment and if I have critical things to say today, it certainly doesn't suggest that I in any way think we can afford to, or ought to, abandon Pakistan.

I'd like to touch—I'd planned to spend all my time talking about aid but I would like to shorten what I planned to say because I'd like to respond to a couple of other things that have come up. First of all, I want to associate myself with what my two colleagues here have said. I think their advice is very well taken. I think all of us agree that we have not gotten good value for the money we have spent in Pakistan. I say this as someone who cares about Pakistan, who thinks that Pakistan is going to play a large role, for good or ill, in the coming years. I think this is really a wasted opportunity on our part. As a taxpayer, I also resent that we have not gotten better value for our money. I think we can do better but equally important, I think we have to do better.

Given the modest record we have compiled with our aid program in recent years, I'm pleased to hear that a review of the aid program is underway, but I would like to join you, Mr. Chairman—and I really am emphasizing one thing and then raising a second point. You cannot have a serious review of the aid program if you simply fence off the three quarters of that aid which goes through the Department of Defense. Now, I know this raises certain jurisdictional questions for this committee, but I would urge you, Mr. Chairman, and the other members of the committee, to perhaps think about joining forces with other committees to do a thorough going top-to-bottom review of the entire package of aid and other transfers to Pakistan in recent years. Otherwise, I don't think we're going to get very far.

The other thing I would like to say about this review is that I'm extremely troubled by the notion that it's going to be carried out exclusively by agencies in the executive branch. I'm not sure you're going to get the level of thoroughness or incisiveness if you ask

those who are responsible for the program themselves, to then give you a critical assessment of it, and I would urge you to go to another independent body—maybe the GAO, maybe an ad hoc congressional group. I'll leave that to you but if we're going to have a serious review of what I think is an important issue, then I think it has to be done correctly.

Another point, I think it's important to reiterate that despite our rather indifferent record in Pakistan in recent years, American aid can make a difference. There has been a reference, I think several times already today, to the timely American response and the generous response in the aftermath of the horrific Kashmir earthquake 2 years ago. Clearly, we saved lives and clearly we made friends. Pakistanis even 2 years later, continually make a point of thanking Americans who visit their country, for the American response.

This episode, to me, underscores the fact that aid can be effective; that aid can win friends for the United States. But it also serves to highlight the missed opportunities that characterize, I think, so much of the rest of our program.

If I may now, I'd like to skip away from aid a bit and refer to a couple of other things that have been said. A sense—some in this discussion, some outside this room, a sense that some people feel that things have turned a corner; that things are now heading in a better direction in Pakistan. They refer, for instance, to President Musharraf's resignation from the army, the fact that you now have a firm date for the election, the fact that Musharraf has promised to lift the state of emergency in 10 days, to the fact that the two most prominent opposition politicians have returned to the country.

Mr. Chairman, this represents a fundamental misrepresentation of the actual situation in Pakistan. Things are not getting markedly better. Pakistan still faces a very real and indeed, even a growing crisis. Just this week, professors and students at one of Pakistan's most prestigious universities were arrested for doing nothing more than criticizing the imposition of the state of emergency. Just this week, new blows were struck against the judiciary in what appears to be an effort to impinge upon the independence of the judiciary. Just this week, it was ruled that Nawaz Sharif was ineligible to run in the elections next month.

A great deal of stock has been placed on the fact that emergency rule is to be lifted in 10 days but this is not going to return us to the status quo ante. You will still have restrictions on the media. Someone earlier today talked about virtually all the radio and television stations are back on the air, but only those who have signed a pledge not to ridicule the government, not to criticize the government, in fact, are back on the air. Restrictions even after the end of emergency rule will be placed on politicians and on political assembly. The charges that have been lodged against the lawyers will remain in place. The judges that were fired will still be fired. It will still be permissible for civilians to be tried by military tribunals.

So, I don't think that we can assume that things will simply be grand once the emergency rule is lifted. I would remind you what also has been referred to, that serious observers, both inside Pakistan and outside observers, have been talking for well over a year about the difficulties of having genuinely free and fair elections.

One of your colleagues, former Senator Daschle, went to Pakistan in October, before the imposition of emergency rule, and he came back and issued a report expressing very grave concern whether or not there was a possibility of having genuinely free elections. Those concerns have not yet been adequately addressed.

So, I would simply suggest that one of my nightmares is that we wake up on the 9th of January, the day after the elections, and we find ourselves faced with a new Parliament, which has been selected by patently fraudulent means; that has no credibility, that has no legitimacy in the eyes of the vast majority of the Pakistani people and then what do we do?

Rather than finding ourselves in that position, and here I'd like to associate myself with something that Senator Corker said, rather than finding ourselves in that position, I hope very much that we put a great deal of pressure on the Pakistani Government at this point. Now, I think I would disagree with Senator Corker's assessment that we are putting pressure. I don't think we're putting nearly as much pressure as we ought to. I would refer you to President Bush's ABC interview just a couple weeks ago, where he praised Musharraf—this is after the imposition of emergency rule, where he praised Musharraf for his democratic credentials. I would refer you, as Ambassador Schaffer mentioned a moment ago, to the repeated references by senior American officials to Musharraf as "indispensable." I think these types of messages simply send the wrong signals to the Pakistanis, including to our friends or those who should be our natural allies in Pakistan. They feel betrayed by us and I would hope that between now and January 8 as well as afterward, we would make it clear that Americans stand not with an individual—or not, frankly, with a political party, but with the country and with the people of Pakistan.

Last, if I may, simply address—because, Mr. Chairman, you read two statements from my testimony and our previous panel took issue with them. If I might simply address both of those issues very briefly.

You first of all read my passage saying the United States has made no effort to distinguish between military assistance useful for our counterterrorism efforts and that which has little use in combating al-Qaeda. I, in fact, had in mind things like F-16s, like air-to-air missiles. To the best of my knowledge, al-Qaeda has neither a navy nor an air force. One can, I think, perhaps make a minimal argument that in a broad, generalized way, this may help the Pakistani Army, maybe confidence, maybe something else. But the troops on the ground, particularly the paramilitary forces in the tribal areas, they don't have night vision goggles, we just heard. They don't have protective vests. In some cases, they apparently don't even have proper boots. If we're providing or making available these other types of major systems and simultaneously not providing the things that are clearly and directly related to counterterrorism, then I think perhaps we're making a wrong judgment.

My last point, Mr. Chairman, you read my comment about economic and development programs that frequently have been unfocused, poorly conceived or lacking in responsible oversight. Let me just give you two examples so you'll know what I had in mind.

Two examples don't prove the case but I do think they're illustrative.

I think it's well documented. In fact, I've gotten this from a very senior AID official that we have provided hospitals and clinics in Pakistan with these very fancy surgical lights which don't cast a shadow, and with autoclaves and other equipment that requires electricity, only to find that these hospitals don't have electricity and that moreover, there are no plans to hook them into the electrical grid. So I asked, how is this possible? And I was told, we signed a contract with a firm who provides this equipment. We go back and ask the firm, how come this is the case and the firm, the contractor says, it's not our business. We didn't sign a contract to provide electricity or to make sure this equipment was used. We simply signed the contract to provide the equipment.

A different case, again, a story I've heard from a senior AID official. We are giving scholarships to young Pakistanis to study in the United States and I absolutely applaud this, but I'm also aware of a particular instance where we awarded a scholarship to a young man from the tribal area who spoke no English, who speaks no Urdu. He speaks Baluch. So he was asked, through a translator, so how is he going to benefit from this experience? And after further questions, it turned out, in fact, there was no possibility of him benefiting and in fact, all his family had been killed in the tribal areas and the chances of him even going to school were very minimal. The chances of him then returning to Pakistan were virtually nonexistent.

Again, two examples don't prove a case but they are the types of things I had in mind. I could go on at greater length. I'm not going to try your patience.

Thank you for your interest in this.

[The prepared statement of Dr. Hathaway follows:]

PREPARED STATEMENT OF DR. ROBERT M. HATHAWAY, ASIA PROGRAM DIRECTOR,
WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS, WASHINGTON, DC

EXECUTIVE SUMMARY

- U.S. assistance to Pakistan since 2002 has been far too heavily weighted in favor of military assistance, without requiring or even expecting commensurate results in the struggle against extremism.
- We have made no effort to distinguish between military assistance useful for our common counterterrorism efforts, and aid with little or no connection to the war against al-Qaeda, nor made provision of the latter contingent upon cooperation in combating the extremists hiding in FATA and elsewhere in Pakistan.
- We have allowed a blanket justification of counterinsurgency to be used to rationalize assistance programs and arms sales with minimum or nonexistent connection to that objective.
- America's seemingly open-ended largesse to the Pakistani military has encouraged the widespread belief in Pakistan that the United States sides with that country's dictators rather than its democrats. In this fashion, we have alienated potential friends and embittered those Pakistanis who share our values and our vision for their country.
- We have established economic and development programs that have frequently been unfocused, poorly conceived, or lacking in responsible oversight.
- We have required neither stringent accountability mechanisms for our aid, nor the sorts of performance benchmarks we routinely impose on other aid recipients.

General precepts for thinking about American assistance to Pakistan:

1. American aid as a two-way bargain

American assistance, to Pakistan as to all recipients, is not simply an act of altruism. The United States has every right to expect something in return for U.S. aid. Administration officials have never adequately explained why Washington should not require that vigorous U.S. support requires vigorous Pakistani support in return.

2. Failure to balance U.S. objectives

The administration has allowed its understandable preoccupation with punishing those responsible for 9/11 to obscure other equally important priorities—combating domestic extremism within Pakistan; building strong political institutions; supporting constitutionalism and the rule of law; stopping the leakage of dangerous nuclear technology.

3. Beware of a counterterrorism justification that justifies all

The administration has justified virtually all U.S. assistance to Pakistan in terms of counterterrorism. To the extent that the Pakistani security apparatus has been employed since November 3 in rounding up lawyers, opposition politicians, journalists, and human rights activists, it is difficult to argue that unconditional backing for Pakistan's military supports the war against terrorism.

4. Inaction conveys messages just as forcefully as action

Pakistanis will draw conclusions about Washington's position and preferences regardless of whether the White House or Congress endorses or condemns, issues tepid equivocations, or remains absolutely silent. Under these circumstances, it behooves us to stand with those who should be our natural friends in Pakistan.

5. Be mindful of history, but not bullied by it

If the United States and Pakistan are to build a successful partnership for the long haul, the stripping away of the mythology behind this relationship—of which the narrative of American perfidy is a prime example—must be a priority.

6. Be sensitive to Pakistani political realities

It will be extremely difficult, if not impossible, to obtain Pakistani cooperation for any U.S. action that suggests American dictation. This is especially true in the field of counterterrorism.

7. Be modest in our expectations

We should be very careful not to overestimate the amount of influence U.S. aid gives us. The United States has very little ability to force Musharraf—or any other Pakistani leader—to act contrary to what he believes his interests are, or to compel Pakistan to do what it would not otherwise do. As an instrument of coercion, U.S. aid is an exceedingly blunt weapon.

8. Build for the future

American assistance, if employed deftly, gives the United States tools with which to nudge Pakistan in desired directions. At a minimum, we can do a better job of laying the groundwork for a post-Musharraf United States-Pakistan partnership that would enjoy broad popular support in both countries. By supporting those Pakistanis whose values parallel our own, U.S. aid can help prepare the way for a more sustainable relationship in the long run.

Finally, Congress should insist upon a thorough review of U.S. assistance to Pakistan since 2001, including assistance funneled through the Department of Defense. This review ought to be conducted by a fully independent body, and not simply by the Department of State.

Pakistan's post-9/11 partnership with the United States has brought Islamabad diplomatic support, political protection, international legitimacy, and immense sums of aid. Yet, Pakistan is a huge disappointment to many Americans. In their eyes, there exists a gaping disconnect between the strong backing and abundant assistance Washington has provided Islamabad over the past half dozen years, and what the United States has received from Pakistan in return.

Notwithstanding the close official partnership between Washington and Islamabad that has developed since 2001, Pakistan today is a scary place for Americans. Polls suggest that it is one of the most anti-American countries in the world. Since 9/11, Islamist political parties harboring a vision for Pakistan, that produces nightmares for Americans, have achieved unprecedented prominence. Pakistan's Federally Administered Tribal Areas (FATA) along the Pakistan-Afghanistan border pro-

vide a safe haven for the al-Qaeda terrorists responsible for the September 11, 2001, attacks on the United States, as well as for Taliban insurgents battling U.S. and NATO forces in neighboring Afghanistan. Suicide bombings and wanton violence are increasingly common in the settled areas of Pakistan, provoking warnings of a “creeping Talibanization” of the country. Many informed analysts worry that Pakistan is in danger of becoming the center of global Islamic terrorism. Rather than close relations producing a Pakistan comfortable for Americans, the post-9/11 partnership between the two seems to have tied the United States to a Pakistan inimical to American interests and American values.

I appear before this committee today as a firm supporter of the United States-Pakistan partnership. I believe that American national interests require a cooperative and mutually supportive relationship with Pakistan. I salute the courage and leadership displayed by President Musharraf in the days after 9/11, when he aligned his country with the United States in the effort to punish those responsible for the horrific attacks on New York and Washington. And I am a strong advocate of a robust U.S. assistance program for Pakistan.

Indeed, it is for these very reasons that I am troubled by the nature of the American assistance program to Pakistan in recent years, and most especially by the failure of this program to bring the results we had hoped for.

- In my judgment, U.S. assistance to Pakistan since 2002 has been far too heavily weighted in favor of military assistance, without requiring or even expecting commensurate results in the struggle against extremism.
- We have made no effort to distinguish between military assistance useful for our common counterterrorism efforts, and aid with little or no connection to the war against al-Qaeda, nor made provision of the latter contingent upon cooperation in combating the extremists hiding in FATA and elsewhere in Pakistan.
- We have allowed a blanket justification of counterinsurgency to be used to rationalize assistance programs and arms sales with minimum or nonexistent connection to that objective.
- We have largely ignored the impact that America’s seemingly open-ended largesse to the Pakistani military has had in encouraging the widespread belief in Pakistan that the United States sides with that country’s dictators rather than its democrats. In this fashion, we have alienated potential friends and embittered those Pakistanis who share our values and our vision for their country.
- We have established economic and development programs that have frequently been unfocused, poorly conceived, or lacking in responsible oversight.
- We have required neither stringent accountability mechanisms for our aid, nor the sorts of performance benchmarks we routinely impose on other aid recipients. Indeed, in our eagerness to solidify our post-9/11 partnership with Islamabad, it has sometimes seemed as if we were simply throwing money at Pakistan, without asking whether it was being used in ways that would promote American objectives.

But most troubling of all, we do not seem to have accomplished very much with the more than \$10 billion we have provided Pakistan since 2001.

- Clearly this assistance has not enabled the Pakistan military to eliminate the safe havens on Pakistani soil enjoyed by al-Qaeda and the Taliban.
- It has not prevented militants based in Pakistan from slipping across the border into Afghanistan and attacking American and NATO forces, as well as Afghan civilians loyal to President Karzai.
- It does not seem to have assisted in bringing internal stability to Pakistan.
- It manifestly has not promoted either democracy or a respect for human rights and the rule of law in Pakistan.
- It has not given us a Pakistani leadership prepared to do American bidding—though certainly this is not the intent of U.S. assistance, nor should we ever expect that U.S. aid will produce a compliant recipient government.
- While U.S. assistance has played a useful role in addressing the basic human needs of some Pakistanis, Pakistan’s deficiencies in this area are so great that American aid has been little more than a drop in the bucket.
- And obviously, if the polls about anti-Americanism in Pakistan are to be believed, this \$10 billion has not won many friends for the United States.

And indeed, this \$10 billion figure that is customarily mentioned represents only part of the story. The size of the classified transfers from Washington to Islamabad can only be guessed at. Some analysts suggest covert payments may have exceeded \$10 billion, raising the total U.S. assistance package to Pakistan over the past 6 years to something approaching \$20 billion.

There is, fortunately, one significant exception to this otherwise discouraging record. Pakistanis of all political persuasions acknowledge the importance of U.S.

aid in the immediate aftermath of the October 2005 Kashmir earthquake. Without a doubt, there are people alive today only because of the timeliness and generosity of the American response. More than 2 years later, Pakistanis still make a point of thanking Americans for their help in the days and weeks following the earthquake. This episode underscores the fact that aid can be effective, and thus serves to highlight the missed opportunities that characterize much of the rest of the U.S. assistance program to Pakistan since 2001.

Those who believe in the importance of the United States-Pakistan partnership, and all those concerned that taxpayer money be spent wisely, need to ask why, given the magnitude of American assistance to Pakistan over the past 6 years, and given the commitment and good intentions of countless hard-working American officials and their Pakistani colleagues, the U.S. assistance program has produced such indifferent results. There are, I believe, a number of explanations:

- First, the sheer size of the problem presented by Pakistan. With 160 or more million people and woefully low rankings on virtually all measures of human security, Pakistan presents monumental development challenges. Its political and educational institutions are similarly deficient. Patience and a long-term vision are absolutely essential when considering assistance to Pakistan. Progress is unlikely to come quickly, or cheaply.
- Also handicapping American assistance efforts was the absence of a U.S. aid infrastructure in Pakistan, because of the termination of virtually all U.S. assistance programs in that country in the 1990s, as a result of the Pressler amendment.
- Washington's preoccupation with the war on terrorism, as the United States has defined that war, has given the U.S. Department of Defense an insurmountable advantage in shaping the American aid program for Pakistan. This has ensured that the bulk of U.S. assistance would be military in nature, and would be directed toward the Pakistani military. As important as the security dimension of our relationship with Pakistan is, this heavily military tint to U.S. aid has served to limit its long-term effectiveness.
- The U.S. aid effort in Pakistan has also been skewed by the ease of working with the Pakistani military, in some respects the only functioning institution in the country. This too has encouraged an approach in Washington that gives precedence to the security component of the relationship.
- And finally, the political reality in Washington is that it is infinitely easier for the Pentagon to secure congressional approval for large sums of money to be spent overseas than for the State Department and its aid arm. This is a political fact of life at any time, but the shock of 9/11 tilted the political balance in Washington even further toward the Pentagon.

Given the modest record of the American aid program in Pakistan in recent years, I am pleased that a review of the U.S. assistance program to Islamabad is now under way. However, I am troubled that Congress apparently intends that this review should be carried out primarily by the executive branch. I would suggest that the historical record of such reviews over the years raises questions whether a study conducted by the agencies, and perhaps even the same individuals, responsible for the program in the first place will meet the level of independence, thoroughness, and incisiveness Congress expects.

In addition, I am even more concerned by indications that moneys funneled to Pakistan through the U.S. Department of Defense will fall outside the purview of this review. Inasmuch as the great majority of U.S. assistance to Pakistan in recent years has come from the Pentagon—most notably, Coalition Support Funds (CSF)—I cannot conceive of any serious review that ignores DOD funding. I recognize that CSF is not customarily considered foreign assistance, but is ostensibly to reimburse the Pakistani military for expenses incurred in the joint fight against terrorists. But accounting procedures for these transfers appear so lax that it is impossible to say with any confidence how much of the CSF spigot actually reimburses Pakistan for counterterrorism operations. I would urge this committee, Mr. Chairman, perhaps working with other Senate committees, to provide for a thorough-going review of all U.S. aid and other transfers to Pakistan since 2001 by a fully independent body.

U.S. ASSISTANCE AND THE POLITICAL CRISIS IN PAKISTAN

Since the imposition of emergency rule in Pakistan last month, Washington has seen considerable discussion concerning how the United States should react to this unfortunate development. Some of this discussion has featured calls for the suspension of some or all of the U.S. assistance program to Pakistan. Other analyses have viewed the declaration of emergency rule as a further indication that U.S. policy in Pakistan has failed, and called for a rethinking of the entire U.S. aid program. With

this as the context, I offer a handful of general observations that ought to guide U.S. decisionmakers in thinking about American assistance, both between now and the Pakistani parliamentary elections announced for January 8, 2008, and beyond that point as well.

1. American aid as a two-way bargain

Some analysts argue that since supporting Pakistan at this crucial time is so clearly in the U.S. interest, this should be sufficient justification for the Pakistan aid program. We should not, so this argument goes, expect anything specific from Pakistan in return.

I reject this argument. American assistance, to Pakistan as to all recipients, should be thought of as a two-way bargain, not simply an act of altruism. The United States has every right to expect something in return for U.S. aid. It is not unreasonable, for instance, to demand that U.S. assistance be spent and managed efficiently, honestly, and only for the purposes for which it is intended. It is not unreasonable to insist that U.S. aid not be used to undermine other important U.S. objectives. These expectations apply to all recipients of American assistance.

In the case of Pakistan, administration officials have never adequately explained why Washington should not expect that vigorous U.S. support requires vigorous Pakistani support in return. At no point, so far as I know, has a senior American official made the commonsense observation that a Pakistani failure to live up to its commitments in our joint enterprise will lessen U.S. obligations in this mutual partnership. Nor has the administration ever spelled out at what point Pakistani misbehavior would cause Washington to rethink the virtues of the blank check. It is little wonder, then, that the results of America's support for Pakistan have been so meager.

2. Failure to balance U.S. objectives

The United States has a long history of failing to calibrate its objectives for Pakistan in a balanced fashion. The national priorities of the two countries have seldom lined up precisely, although neither has been eager to draw attention to this disconnect. In the early decades of the cold war, Washington allowed its desire for a staunch anti-Communist ally in South Asia to blind it to the fact that for Pakistan, India was the real enemy. As a consequence, American officialdom was also largely oblivious to the impact its military assistance to Islamabad was having in New Delhi—a shortsightedness that greatly handicapped America's relations with the region's largest power.

Following Moscow's invasion of Afghanistan in 1979, U.S. policymakers eager to arm Afghan opponents of the Soviet occupiers paid scant attention to the extremist views of the Afghan jihadis their Pakistani friends were recruiting with CIA funds. Many of those whom we are fighting today first honed their insurgent skills with American guns and moneys.

In the aftermath of the September 11th horror, the administration has allowed its understandable preoccupation with punishing those responsible for the attacks to obscure other equally important priorities—combating domestic extremism within Pakistan, building strong political institutions, supporting constitutionalism and the rule of law, stopping the leakage of dangerous nuclear technology. This, too, has skewed the overall U.S. assistance program to Pakistan by channeling the overwhelming preponderance of U.S. assistance to institutions and personnel who are frequently least sympathetic to the progressive, moderate Pakistan we wish to see established.

3. Beware of a counterterrorism justification that justifies all

A senior administration official in the immediate aftermath of Musharraf's November 3 imposition of emergency rule stated that while all U.S. aid to Pakistan would be reviewed, Washington would be "mindful not to do anything that would undermine ongoing counterterrorism efforts." Such a declaration would seem to make eminently good sense, were it not for the fact that the administration has tended to explain and defend virtually all U.S. assistance to Pakistan in terms of counterterrorism. One wonders whether Musharraf did not read this official's remarks to mean that he could safely ignore calls from the administration to restore constitutional rule.

Of course we must avoid any action that disrupts military operations against our enemies. But to the extent that the Pakistani security apparatus has been employed since November 3 in rounding up lawyers, opposition politicians, journalists, and human rights activists—people who should be America's natural allies and best friends—it is difficult to argue that unqualified backing for Pakistan's military supports the war against terrorism.

4. U.S. inaction conveys messages just as forcefully as action

Well-intentioned persons will warn against appearing to meddle in Pakistani affairs by threatening to suspend, pare, reprogram, or otherwise alter the U.S. assistance package at a sensitive moment in Pakistan's political life. Given the present unpopularity of the United States in Pakistan, this is not advice to be dismissed. But it ignores the reality of American power.

In fact, U.S. influence in Pakistan is so pervasive that silence or inaction on Washington's part constitutes meddling just as much as blustery rhetoric or coercive legislation. Pakistanis will draw conclusions about Washington's position and preferences regardless of whether the White House or Congress endorses or condemns, issues tepid equivocations, or remains absolutely silent. These conclusions will not simply influence the actions of Pakistan's central actors. They will also further the perception in Pakistan that the United States is trying to manipulate political events in that country.

In other words, given America's power and influence, it is literally impossible to avoid meddling, even if that is Washington's intent. Counsel to stay out of affairs we do not fully understand, no matter how wise in theory, does not provide adequate guidance to policymakers.

Under these circumstances, it behooves us to stand with those who should be our natural friends in Pakistan—small “d” democrats, human rights activists, civil society, the media, and the lawyers who have led the protests against the government's attack on judicial independence. Doing so not only supports our values, it also helps lay the groundwork for an enduring United States-Pakistan partnership once, as is inevitable, Musharraf passes from the scene. And—although this is not guaranteed—it may also help garner public support in Pakistan for a serious fight against extremism.

Congressional actions taken, or not taken, with respect to the aid program in Pakistan, either before the January 8 polling or after that election, should reflect an awareness that Washington's every step will be closely scrutinized in Pakistan. Congress should not hesitate to act, if action becomes appropriate, for fear of appearing to manipulate or meddle in Pakistani events.

5. Be mindful of history, but not bullied by it

Administration officials are rightly sensitive to the widespread perception in Pakistan that the United States is an unreliable ally, that Washington uses Pakistan for its own purposes and then walks away, and therefore that Pakistani decision-makers ought not put all their eggs into the American basket. This at times has produced an American approach that subordinates contentious issues for fear of exacerbating Pakistani distrust or apprehensions of abandonment.

This narrative of American “betrayal”—widely endorsed in the United States as well as in Pakistan—points to the termination of most U.S. assistance to Pakistan in 1990 (pursuant to the Pressler amendment) as a result of Pakistan's nuclear weapons program as exhibit No. 1. It is something of a mystery why this historical memory emphasizes only the American half of the “betrayal,” while ignoring the fact that Pakistan repeatedly lied to the United States about its nuclear activities over a period of many years, even though Islamabad knew full well that U.S. law required invocation of the Pressler amendment unless Washington could certify that Pakistan's nuclear program was exclusively peaceful in nature.

If the United States and Pakistan are to build a successful partnership for the long haul, the stripping away of the mythology behind this relationship—of which this narrative of American perfidy is a prime example—must be a priority. In considering possible action on the U.S. aid program to Pakistan, American policymakers must take Pakistani sensibilities into account. But U.S. officials should not be cowed by a distorted mythology of American betrayal.

6. Be sensitive to Pakistani political realities

American officials must accept the fact that both the Musharraf government and any likely successor government will be constrained in what it feels able to do by Pakistani public opinion. While Musharraf is sometimes viewed as a military dictator, in fact his freedom of action is determined in part by what he believes the public will tolerate. And one factor in his current low standing among the Pakistan public today—though by no means the only one—is the widespread perception that he has sacrificed Pakistani interests in order to cozy up to the Americans. “Busharraf” is a widely used term of derision for the Pakistani President.

Under these circumstances, it will be extremely difficult, if not impossible, to obtain Pakistani cooperation for any U.S. action that suggests American dictation. And this is undoubtedly how many Pakistanis would interpret any effort to create benchmarks or impose conditions on future U.S. assistance. This is not an argument

against congressional action of this sort; under many circumstances, such action may make eminent good sense. But American decisionmakers should not move in this direction without being mindful of the probable reaction in Pakistan.

This warning against actions that might be perceived as American bullying or coercion will be equally valid for any government that may be formed following next month's elections, and especially should that government be headed by Benazir Bhutto, who already seems to have lost support in Pakistan because of the perception that she is America's preferred candidate.

Such cautions against the perception of American dictation pertain particularly to counterterrorism. The war in Afghanistan, so utterly justified in American eyes, is hugely unpopular among Pakistanis. Expecting Pakistanis to demonstrate their gratitude for American assistance by working closely with the United States against Taliban and al-Qaeda fighters in FATA or elsewhere in Pakistan is to court disappointment.

7. Be modest in our expectations

We should be very careful not to overestimate the amount of influence over Pakistan U.S. aid gives us. Many Americans assume, without much reflection or analysis, that Washington's lavish aid to Islamabad affords the United States immense political leverage over Pakistan. Other analysts point to America's vastly superior strength vis-a-vis Pakistan as the source for this supposed leverage. In either case, so the argument goes, the United States should be able to use this leverage to persuade, entice, or coerce Pakistan into a more effective counterterrorism partnership and/or a more democratic political system.

It is, however, no easy matter to translate great power into influence. Members of this committee will surely recall that neither the threat (in the 1980s) nor the imposition (in the 1990s) of U.S. sanctions terminating American assistance was sufficient to persuade Islamabad to toe the American line on its nuclear program. The difficulty of leveraging even a huge aid program into political clout was once again illustrated last month by the administration's inability to dissuade President Musharraf from declaring emergency rule.

In reality, the United States has very little ability to force Musharraf—or any other Pakistani leader—to act contrary to what he believes his interests are, or to compel Pakistan to do what it would not otherwise do. While American assistance serves a variety of U.S. interests, its utility as leverage is highly overvalued. As an instrument of coercion, U.S. aid is an exceedingly blunt weapon.

Unfortunately, the administration has gone to the other extreme, and in essence given Pakistan a free hand, no matter how half-hearted or incomplete its collaboration with the United States. Not only has this approach eliminated whatever modest leverage our aid program might have given us. In the eyes of many Pakistanis, it has also placed the United States on the wrong side in Pakistan's domestic political struggle for a more democratic government.

8. Build for the future

In fact, American assistance, if employed deftly, can give the United States tools with which to nudge Pakistan in desired directions. The U.S. Congress could lay out political or economic benchmarks in return for the continuation of certain forms of U.S. assistance, especially that unrelated to the battle against extremism or designed to meet basic human needs. Assistance to meet basic human needs, such as medical care, clean water, and schools, should in my judgment never be held hostage to the performance of a particular Pakistani Government; it constitutes one of the most tangible signs of a U.S. commitment to a long-term partnership with the Pakistani people.

What of using the American aid program now either to punish Musharraf for his declaration of emergency rule, or to pressure him to open up the system and permit genuinely free and fair elections in the near future? In truth, the likelihood of successfully pushing Musharraf to embrace the sorts of democratic reforms that might well end his hold on power is not very great.

Nonetheless, actions that bear no fruit in the near-term may produce significant results in the longer term. Ronald Reagan's denunciations of the "evil empire" did not cause the Soviet Union to collapse, but his words inspired hope and courage throughout the former Soviet bloc, and won countless friends for the United States.

And so it might be in Pakistan. At a minimum—and perhaps this is the most that one can reasonably expect—we might do a better job of laying the groundwork for a post-Musharraf United States-Pakistan partnership that would enjoy broad popular support in both countries. Using the U.S. assistance program as a form of coercion may not bring short-term gains. But by speaking out on behalf of what we call American values, and by supporting those Pakistanis whose values parallel our own,

U.S. aid may help prepare the way for a more sustainable relationship in the long run.

MUSHARRAF IS NOT PAKISTAN

Pakistanis are fond of saying that events in their country are determined by the three As: Allah, the army, and America. Though frequently uttered in jest, the adage also captures an underlying fatalism and willingness to avoid blame that is endemic to Pakistan. Only Pakistanis can write the history of their country. Only Pakistanis can determine whether Musharraf's avowed goal of a moderate, progressive Pakistan will be achieved.

But as they take up this task in the months and years ahead, the United States owes it to its Pakistani friends to remember that support for a particular Pakistani leader is not the same as supporting Pakistan. We have seen too much of the former in recent years. It is high time that we renew our commitment to the country and its people, who, after all, will remain long after Musharraf passes from the scene.

Senator MENENDEZ. Thank you all for your testimony. We'll go through a round of questions and the Chair recognizes himself.

Dr. Hathaway, I just wanted to pick up from some of your observations a little earlier in your testimony. You heard me ask the Secretary to give him another shot about making the record pretty clear. Do you believe that the course that we're on, 28 days before the election, which is the date in which the emergency decree is going to be lifted, that we can really consider the elections good, transparent, and fair at the end of the day? And if so, what has to happen from here to then to make that all happen?

Dr. HATHAWAY. I think all of us are hesitant to prejudge it but what I will tell you, Mr. Chairman, is this: I've been in close contact, including trips to Pakistan, but I've been in close contact with Pakistanis who have been warning me for well over a year now, under current conditions, there's no chance in the world that we can have free and fair elections.

I don't think any of the concerns that have been raised and Secretary Boucher mentioned a number of them, I don't think any of those concerns have been adequately addressed. It has not yet been mentioned but it frequently is mentioned, including in Senator Daschle's report: Intimidation and harassment by the Pakistani intelligence services. The fact that polling places—there's a likelihood that the polling places will not be clearly designated. The fact—and this took place in an election not long ago, maybe a local election. Women were simply excluded, were not allowed to vote, even though legally, they had every right to vote.

What has to be done? I think there is a whole host of things. A necessary though not a sufficient step is to immediately lift the emergency rule. We have to give all parties and all politicians' equal access to the media and it's not at all clear that that's going to happen. You have to have a real electoral commission. Again, what others who are far better informed than I have told me is that no one believes in the current electoral commission.

Senator MENENDEZ. That's a lot in a little over a month.

Dr. HATHAWAY. And that's only the beginning of my list but, yes, sir; it is.

Senator MENENDEZ. Dr. Korb, \$10 billion. Do you think we should be talking to A.Q. Khan?

Dr. KORB. Very definitely. I mean, again, if you go back to the 2004 campaign, the one thing Senator Kerry and President Bush agreed on was that a nuclear weapon or nuclear technology falling

into the hands of a terrorist group of a global reach was the greatest threat to the United States and here is the person who can tell us more about where that is than anybody else. So if the fact that we haven't used that leverage up to now, I think it's high time that we did this, particularly the military. Now, the military wants to buy a lot of this equipment and things and they're the ones, I think, that can lean on the government and if you do have a different government there, a government that is not under the control of President Musharraf, they may be more willing to do that. But I think some part of the aid has got to be conditioned on.

Senator MENENDEZ. Why do you think we haven't used our leverage in that respect and why do you think there is resistance to give us access to him?

Dr. KORB. Well, I think that people are concerned that we will not get the help we want from Pakistan. They overemphasize the help they've actually given us in terms of fighting the war on terror and I think there is also a legitimate concern that a lot of our effort in Afghanistan, supplies have to move through Pakistan. So I think that's a reason why people have been somewhat unwilling to do that. But I think it's clear we do have some leverage. I don't say use all the aid but I think that some portion of it, particularly the military aid, has to be conditioned on that.

Senator MENENDEZ. Finally, let me ask you about some statements both in your written testimony as well as in the report you coauthored. You call it the Forgotten Front and while it was focused primarily on Afghanistan, it did talk about Pakistan as well. You particularly mention there that there is very little United States support for Pakistan's civil society or moderate political forces. You also mention that there are many who believe that military aid is finding its way back to the Taliban because of linkages between certain groups in Pakistan's security forces. Do you want to comment on that for us?

Dr. KORB. Well again, because we don't have any transparency or accountability, we're not quite sure what they're doing with that money. Some of it, probably because of lack of control, some sympathies, particularly among the so-called ISI there, toward the Taliban would go there. Remember that many people in Pakistan perceive the Taliban as a check on what they see as India's influence in Afghanistan. So they're not completely unhappy with the Taliban's partial reemergence there.

Senator MENENDEZ. Finally, Ambassador Schaffer, I heard your testimony and I know you testified before this committee a little over 2 years ago about our strategy. Then, you recommended that focusing on counterterrorism alone is a false choice and the United States should use assistance in three different ways and you reiterated one of those today again, the economic assistance. You talked about rebuilding institutions in that testimony. I think you mentioned that today again. How would you prioritize the institutions that we pursue trying to help rebuild directly?

Ms. SCHAFFER. I would certainly put the judiciary very high on the list. Now, when you're talking about assistance, what you are talking about is what I believe Mr. Kunder referred to before, assistance to help in the functioning of the judiciary, and I think that is an appropriate thing for us to be doing with our assistance. It

doesn't solve all the problems with it but it's one of the things you can do with aid.

I would also say that it's very important to continue with technical assistance for a smoother functioning Parliament although I suspect that countries with a parliamentary system may be better placed to do that than we are, because a lot of the traditions that are so important in the United States Congress hinge on separation of powers and that doesn't exist in Pakistan. So it really is a different political environment.

The other one is the civil service, which may sound odd because the Pakistani Government has always had a very strong civil service, but it has been much hollowed out through the years. There was a brave but ultimately not very successful attempt at reforming the income tax service to increase professionalism and reduce the temptation to be corrupt. I would love to see that picked up again but if you're talking about institutions, these are the ones that are where I think the United States can make some kind of a difference.

Senator MENENDEZ. Thank you.

Senator Lugar.

Ms. SCHAFFER. Could I say one word about A.Q. Khan, though?

Senator MENENDEZ. Surely.

Ms. SCHAFFER. At the risk of being out of step with my colleagues with whom I basically agree, yeah, we certainly should get access to A.Q. Khan. But before we start thinking about what kind of heavy artillery we're going to deploy in the attempt, I think we also ought to think about how much we are likely to learn 5 years later.

Benazir Bhutto, when she spoke in Washington just before she went back, was asked the same question and she said, no; she wouldn't make him available to the United States but she would make him available to the IAEA and she was absolutely pilloried for it. This is something that any government of Pakistan will find very difficult and the fact that it's been 5 years actually makes it harder.

Senator MENENDEZ. I respect that. I'd still like to know.

Ms. SCHAFFER. Right. So would I.

Senator MENENDEZ. Who he sold to and what he sold because that would give us a network to pursue. And I find it very difficult to understand \$10 billion later why—whatever information that would be of value at this point could not be deduced by having the opportunity to have access to him.

Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman. I understand the panel has stated in one form or another that President Musharraf is not indispensable. Despite all of the thought that had been given by some of the administration that he was indispensable, but I just want to try to trace through the testimony we've had, who we anticipate will perform various functions. Specifically, if our Government is looking to Pakistan to be an ally against terrorism in the form of al-Qaeda and/or the Taliban, who, in fact, do we look to, to be responsible for those results?

Ms. SCHAFFER. I think that what you're likely to get after the election is a situation where you will have at least two and possibly

three people who are involved in power. The two will be Musharraf and the Chief of Army Staff. The maybe third will be the Prime Minister. If it's a Prime Minister from Musharraf's party, this isn't going to be somebody who counts for very much.

Ultimately, what you need to have in order to have an effective cooperation with the Pakistan Government, is not just the military but the political legitimacy that goes with an elected government moving the political needle and mobilizing more of the Pakistan people behind the kinds of things that we both agree need to be done, which very much includes defending the state of Pakistan against violent attack.

Senator LUGAR. Well, we've received testimony to that effect for several years but what is being described today is the reality; namely these 23 days before an election January 8, for which our Government has offered some technical assistance and yet we're not certain who the competitors may be and what sort of knowledge the voters will have of this election process and, therefore, what emerges is something short, obviously, of that hoped for ideal.

Now, we can indicate that we require more but we're not in a position, nor is it our nature, to direct Pakistanis to in fact affect the kind of democracy that we believe they ought to have in order to have the basis for effective government. So I get back to the realities of the current predicament, and you've answered that in a sense that there may be three persons who we look to for performance here, because this is critical for our troops, especially for the areas next to Afghanistan in the immediate future as opposed to the evolution of Pakistan down the trail.

Ms. SCHAFFER. Senator, we faced a very similar situation in the 1990s. It was referred to at the time as the Troika, first with Benazir Bhutto and then with Nawaz Sharif as Prime Minister and in each case, they shared power with the President, who was a strong figure although he did not come out of the military, and with the Chief of Army Staff. It wasn't the most comfortable organization to work with. I was in government at the time and was on this beat. It was something we were able to cope with.

You expressed concern about whether the people of Pakistan would be able to figure out what their choices were. That's actually something I'm not particularly worried about. The strength and weakness of the political system is that they've got these parties, which have, I think, quite good brand identity. The bad news is that they're also wholly owned possessions of one person or one family.

So I think people will perceive that in voting for a PPP candidate for Parliament or a Muslim League candidate for Parliament, they are supporting whoever the leader is and they will perceive that in spite of the fact that Nawaz Sharif is unlikely to be eligible to run himself.

Making the whole system work may be a bit of a challenge but it is worth that extra challenge if you get an increase in political legitimacy. My worry is that we may not see that.

Senator LUGAR. We're all worried about that.

Dr. HATHAWAY. May I add something to that, Senator? The Pakistani Army is a professional, highly disciplined army. They have, for the last 8 years, for reasons that we're aware, been distracted

by all sorts of other responsibilities that are not necessarily their principal responsibility. I think if the army can step back from the job of running the country and devote full time to the job of maintaining the security of Pakistan, it may well be that they will be able to have greater success than they've had to date, in defeating what I think most of the senior people in the army understand, is a tremendous threat to Pakistan's integrity and Pakistan's security.

Now, what you need and what you haven't had, particularly over the last year, is a political leadership who has legitimacy and who is supported in a country, who can then go to the people and convincingly make the case that this battle against domestic extremists is a battle for Pakistan, for the future of your children. This is not a battle that has been foisted upon us by Washington. This is something that we have a direct and immediate stake in. If you have a government who has legitimacy because it's popularly elected, then perhaps that government will be better able to make that case while simultaneously, you will have a professional army not distracted by all these other responsibilities unrelated to security.

Senator LUGAR. In the short time I have, let me just follow on that. What if the army or the military take the position that in fact, this democracy is not particularly legitimate; that about 30 percent happen to participate in this election or maybe less than that and you say they value the fact they've got to fight for the Pakistani people. They feel that very strongly. So perhaps in the tradition of some countries we've seen in our hemisphere, the military decides that all things considered, in order to further Pakistan quite apart from the war against terrorism, the military ought to be in charge. In other words, we're sort of back to ground zero again. Mr. Musharraf is no longer in uniform but somebody else is and, as a matter of fact, the people of Pakistan may feel the stability and the confidence that comes from all of this although temporary, all things considered, is the way they ought to go. What are the possibilities of that being the evolution of this current scene?

Dr. HATHAWAY. You can't rule it out but at the same time, Pakistan is not a Banana Republic and I believe—I'll let my other colleagues speak for themselves, but I believe very strongly that the Pakistani Army wants to get out of the business of running the country; that they do see this as a distraction and as something which has an adverse impact on their professionalism. So I certainly am not going to tell you that it's not possible, but I think if the army has its choice, it will gladly hand at least the appearance of power over to a civilian Prime Minister. Obviously the army is going to retain a very important role, particularly on security issues. But I think they're eager to get out of the business of running all aspects of the country.

Ms. SCHAFFER. But the army's interest in making some kind of a move is going to depend critically on whether they think their former Chief Musharraf can still hack it.

Senator LUGAR. Thank you, Mr. Chairman.

Senator MENENDEZ. Thank you, Senator Lugar. Well, let me thank our witnesses for their testimony today and for their insights. The record will remain open for 2 days so that committee

members may submit additional questions to the witnesses and we would ask that—

Dr. KORB. Mr. Chairman, may I—since you referred to our report on Afghanistan—

Senator MENENDEZ. If you'd just give me one moment so that we may ask the witnesses to respond expeditiously to these questions.

Dr. Korb.

Dr. KORB. Yes, since you referred to our report on Afghanistan, may I enter that into the record?

Senator MENENDEZ. Without objection.

[EDITOR'S NOTE.—The report "The Forgotten Front" submitted for the record by Dr. Korb was too voluminous to be printed in this hearing. It will be maintained in the permanent record of the committee.]

Senator MENENDEZ. And with that, the hearing is adjourned.

[Whereupon, at 4:47 p.m., the hearing was adjourned.]

ADDITIONAL QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD

RESPONSES OF ASSISTANT SECRETARY RICHARD BOUCHER TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR JOSEPH BIDEN

Question. You testified that the Department of State "must concur on the reimbursement" of all claims for Coalition Support Funds submitted by the Government of Pakistan, and that "Embassy Islamabad is working with the Department of Defense and the Government of Pakistan to make the Coalition Support Funds reimbursement process more supportive of U.S. policy goals and to ensure that we get maximum value for the money expended."

Please provide the committee with a complete list, preferably in electronic format, of all claims in excess of \$1 million submitted since September 11, 2001, by the Government of Pakistan for reimbursement from Coalition Support Funds.

Please provide the committee with the total number of requests for reimbursement from Coalition Support Funds made by the Government of Pakistan, and the total number of such requests that have been denied or sent back for clarification. Of those denied or sent back for clarification, please provide details on the request, and on any subsequent action (i.e., which of these requests were resubmitted and eventually granted).

Answer. Claims are submitted through the U.S. Embassy where they are reviewed for completeness and accuracy and then endorsed. They are then reviewed by U.S. Central Command which validates the link to U.S. military operations. The Office of the Secretary of Defense (Comptroller) evaluates the claims to ensure costs are reasonable and credible based on the documentation provided, obtains concurrence from the Department of State, and then prepares a determination for the Deputy Secretary of Defense to sign a notification to Congress. Once the 15-day congressional notification period expires, the Comptroller releases funds to the Defense Security Cooperation Agency for payment to Pakistan.

The State and Defense Departments work closely together on the consideration of reimbursement claims and each claim is examined closely by both Departments. Any decision to reject a claim or send it back for clarification is made jointly by both Departments. As the Defense Department is responsible for oversight of Coalition Support Funds, reimbursements, it maintains the records necessary to provide the details requested here. Consequently, for further details on Coalition Support Funds and a list of claims, we would refer you to the Department of Defense.

Question. Please provide a list of all weapons systems primarily designed for purposes of external security currently scheduled for sale or transfer to Pakistan, with dates of scheduled transfer and dollar value of the transaction. A weapons system primarily designed for external security (for the purpose of this question) may be informally defined as one primarily designed for conventional combat against a rival state, rather than one principally intended for counterterrorism or counter-insurgency.

Answer. Pakistan remains one of the most active countries in supporting U.S. efforts in the war on terror. While most of the “conventional” weapons listed below may have been designed primarily for external security, Pakistan has dedicated many of these weapons to support its counterterrorism efforts. The Government of Pakistan’s use of TOW 2A missiles in the Federally Administered Tribal Areas and its F-16 sorties along the border region, to cite two examples, exemplify how “conventional” weapons can be effectively used in counterterrorism operations. In fact, much of the equipment procured by the Government of Pakistan has been used in its counterterrorism efforts along the border and in the tribal areas at some point during the past 6 years.

The items below, with dates of scheduled transfer and dollar value, are currently on case as “conventional” weapons systems for transfer to Pakistan. Some are being purchased with Pakistan’s own funds, while others may involve funds from Foreign Military Financing account.

- AN/TPS-77 Radars:
 - Cost: \$100 million
 - Schedule: All six already in country; first turnover will be February 2008
- Phalanx CIWS x 6:
 - Cost: \$79.7 million
 - Schedule:
 - Phalanx 1: Scheduled for September 2008
 - Phalanx 2: Scheduled for October 2008
 - Phalanx 3: Scheduled for November 2008
 - Phalanx 4: Scheduled for December 2008
 - Phalanx 5: Scheduled for January 2009
 - Phalanx 6: Scheduled for February 2009
- Tow 2A Missiles x 2014:
 - Cost: \$65.4 million
 - Schedule: Earliest delivery January 2008
- P-3C Aircraft x 8:
 - Cost: \$295.33 million
 - Schedule:
 - P-3C 1: Delivered January 2007
 - P-3C 2: Delivered February 2007
 - P-3C 3-7: In refurbishment and update; delivery date unknown
 - P-3C 8: Logistics spare aircraft
- Harpoon Missile x 100:
 - Cost: \$297.823 million
 - Schedule:
 - 40 Air-launched: Delivered September 2006
 - 10 Ship-launched: Delivered September 2006
 - 10 Ship-launched: Delivered June 2007
 - 10 Ship-launched: Delivered September 2007
 - 30 Encapsulated: Still in production
- AIM-9M Missiles x 300:
 - Cost: \$47.548 million
 - Schedule:
 - 44 Delivered June 2007
 - 36 Delivered January 2008
 - Remaining 220 waiting for shipment
- F-16 C/D Aircraft x 18:
 - Cost: \$1.433 billion
 - Schedule: Earliest delivery 2010
- Mid-Life Update (MLU) for F-16 A/B x 60:
 - Cost: \$890.954 million
 - Schedule: Earliest delivery 2010
- F-16 A/B Modification of Excess Defense Article (EDA) Aircraft x 12:
 - Cost: \$11.084 million
 - Schedule:
 - EDA 1,2: Delivered July 2007
 - EDA 3-6: To be delivered in June 2008
 - EDA 7-10: To be delivered in July 2008
 - EDA 11-12: To be delivered in 2011

- M-109 Howitzers x 115:
 - Cost: \$86.442 million
 - Schedule: 115 to be delivered from March 2008–March 2009
- AMRAAM x 500, AIM-9M x 200, JDAM x 500, BLU-109 x 700, MK-82/84 x 800:
 - Cost: \$666.507 million
 - Schedule: Earliest delivery 2010

Question. You have testified that “Democracy requires accountable government institutions, including an independent judiciary, protection of individual human rights, a free and dynamic press, an atmosphere promoting open debate, and a vibrant civil society.”

3a. Given that this sentence contains the sole mention of the judiciary in your testimony as prepared, please outline what specific benchmarks the administration will use to assess the extent to which President Musharraf has restored independence to the Pakistani judicial system.

3b. Given that all judges and Supreme Court Justices unwilling to swear an oath to uphold edicts issued during the suspension of the Pakistani Constitution were forcibly retired and replaced with candidates willing to take such an oath, can the judiciary as currently structured truly be deemed “independent”?

3c. What specific benchmarks will the administration use to assess the degree to which President Musharraf has restored accountable government institutions, protected individual liberties, permitted the operation of a free and dynamic press, and restored an atmosphere promoting open debate and a vibrant civil society?

Answer. There has historically been great tension between the executive and judicial branches of government in Pakistan, under civilian and military governments alike, causing similar periods of political uncertainty. A long-term solution is required and will take the energies and attention of the political parties and the government. Given the proximity of parliamentary elections in Pakistan and the political sensitivity of the specific issue of reinstating the deposed justices, we doubt that Pakistan can productively address this issue at this time. But addressing independence of the judiciary—a key pillar of democracy—will be incumbent upon the new Pakistani Government that emerges post-election.

We leave the question on the status of the court for Pakistani legal authorities to determine and for the Pakistani people to decide. The U.S. supports a vibrant and independent judiciary and will continue to urge Pakistan to respect the rule of law as it transitions to a new civilian democratic government.

Our benchmarks for democracy, government accountability, protection of individual civil liberties, and freedom of the press in Pakistan are the same benchmarks that we use with any other country. Specifically, we have asked the Government of Pakistan to ease restrictions on the media, lift the media code of conduct, and release remaining prisoners, including Aitzaz Ahsan and former Chief Justice Chaudhary. The “Annual Country Reports on Human Rights Practices” published annually by the Department of State documents a range of issues including the rule of law, civil liberties, and press freedoms.

Question. You testified that, even after the unconstitutional and destabilizing actions taken by President Musharraf since November 3, “We believe that maintaining funding levels for Economic Support Funds and Foreign Military Financing is crucial.” You also testified the modest steps back from full martial law announced by Musharraf over the past 2 weeks are due in part to “the constant pressure from the international community, especially the United States.”

4a. If maintaining current funding levels of aid to Pakistan is publicly declared to be “crucial,” what sort of pressure—other than mere rhetoric—has the administration applied to President Musharraf?

4b. If financial levers are taken off the table, what possible “pressure” would the administration consider applying if Musharraf stages a flawed election (as you testify you believe to be likely), or if he fails to take the other steps you describe as necessary to return Pakistan to the democratic path?

Answer. Throughout the state of emergency, we had an ongoing dialog with President Musharraf in which we urged him to end emergency rule. We have seen progress, and President Musharraf has taken promising steps to advance Pakistani democracy. He resigned as Chief of Army Staff on November 28, 2007, and restored the constitution by lifting the emergency on December 15. Led by Ambassador Patterson, the U.S. Embassy in Pakistan has been very active meeting with parties across the political spectrum, encouraging their participation in the February 18 vote and stressing to the Pakistani Government publicly and privately that we expect the election to be free, fair, credible, and transparent.

The U.S. Government will continue to engage in an active dialog with the Pakistan Government emphasizing the need to create the conditions for free, fair, credible, and transparent elections—including the need to lift remaining media restrictions and release all political prisoners. We have already urged the government to prevent interference by state agencies, clarify election observer guidelines, restore media freedoms, and release prisoners who remain under house arrest.

Maintaining our close relationship with the Pakistanis, especially with regard to assistance, actually furthers our own national interest. It also allows us to remain influential. Disengagement is not a realistic or productive option, as demonstrated by the years during which assistance to Pakistan was cut off. Pakistan is too critical to our national security. We “lost” a generation of Pakistanis when we halted much of our assistance during the 1990s. Neither Pakistan nor the United States can afford to go down that path again.

Question. You have announced plans to projectize \$200 million in ESF funds for FY 2008. Are there any plans to projectize ESF funds in future years?

Answer. In years past, direct budget support has been successful in helping the Government of Pakistan to not only increase spending on education and health expenditures but also improve delivery of those services. As I said during my testimony, we will use a new approach for FY 2008. “Projectizing” will seek to more efficiently use Economic Support Funds for programs that directly benefit the Pakistani people in areas of health, education, and job training. Although a final decision has not been made, we are working to “projectize” Economic Support Funds in 2009.

RESPONSES OF ASSISTANT SECRETARY RICHARD BOUCHER TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR ROBERT MENENDEZ

Question. Military-Civilian Coordination: Please outline the management mechanisms and the reporting chain with respect to any military-civilian coordination in the design, planning, or implementation of assistance programs in Pakistan. Which programs are operated solely by one agency and which ones are implemented jointly?

Answer. The Department of State’s Director of Foreign Assistance is ultimately responsible for all assistance programs to Pakistan. Given that the vast majority of our security assistance funding is traditionally implemented by the Department of Defense, Defense will continue to play an important advisory role in security assistance policy. However, security assistance policy, as an integral element of U.S. foreign policy, remains the responsibility of the Secretary of State. As the primary interface between the Defense and State Departments, the Bureau of Political-Military Affairs manages the overall Foreign Military Financing and International Military Education and Training programs, while working with the regional bureaus within the new foreign assistance process run by the Director of Foreign Assistance.

U.S. Ambassadors have an important role to play in making recommendations as to which countries should receive military assistance as well as providing oversight over the execution of programs, end-use monitoring and human rights vetting.

Although 1206-funded programs draw on Defense Department resources, funding the programs requires the Secretary of State’s full concurrence. This requirement ensures the programs’ complete fidelity to U.S. foreign policy objectives. In practice, this has meant close coordination between U.S. Ambassadors and Combatant Commanders in the field, as well as between the Departments of State and Defense in Washington. This collaboration has produced programs that closely match the military needs of our partners to the overarching goals of U.S. foreign policy.

Working closely with State’s Bureau of Political-Military Affairs, the Department of Defense’s Defense Security Cooperation Agency implements the Foreign Military Financing, International Military Education and Training, and 1206 programs. Each provision of military equipment provided to Pakistan is carefully reviewed by the Department of State to ensure that it will not fuel an arms race in the region and is monitored by the Defense Security Cooperation Agency to ensure proper end-use and compliance with the Arms Export and Control Act and the Foreign Assistance Act.

The U.S. Agency for International Development does not implement any programs with the military. The only exception was the case of humanitarian relief following the 2005 Kashmir earthquake, where the support of the U.S. Armed Forces was vital in providing life-saving logistical support.

Question. Oversight: Please describe the steps the Department of State and USAID will take to provide effective oversight of all the assistance programs in

Pakistan to ensure that all the resources are used for their intended purpose. What legal and administrative oversight mechanisms exist?

Answer. Assistance funds disbursed by the U.S. Agency for International Development are subject to that agency's audit requirements. With the exception of \$200 million in annual budget support which is audited by the U.S. Agency for International Development and an independent audit agency and guided by mutually agreed "Shared Objectives" most funds pass through U.S. partner grantees and contractors. We have clear, established controls and financial records for this portion of our assistance program. All U.S. Agency for International Development contracts and grants are supervised by trained personnel to ensure the activities expend resources to obtain the agreed-upon objectives. Regular financial audits are performed. Evaluations of projects occur after they end, and, in some cases, there are mid-term evaluations. In addition, the U.S. Agency for International Development has hired additional staff to increase project monitoring.

In particular, the annual \$200 million budget support funds are managed by the Government of Pakistan through the Ministry of Finance and the Accountant General of Pakistan/Revenue. The U.S. Agency for International Development Mission in Pakistan monitors these funds at the national budget level to assure that the U.S. Government contributions are used in accordance with the agreements. The Department of State, the Agency for International Development, and Treasury meet annually with Pakistan's Ministry of Finance counterparts (most recently in April 2007) to review Pakistan's progress in achieving our "Shared Objectives" before the grant is disbursed. To ensure greater efficiency of use, the U.S. Government in 2008 plans to end the direct cash transfer and instead will fund projects through the U.S. Agency for International Development.

Question. FATA Strategy: Provide a comprehensive strategy and program description of at least the first 2 years of the \$750 million program for the FATA region. How was this mix of programs determined? Which agencies were involved in the strategy development? Provide an illustrative list of potential U.S. Government partners who may have the capacity to implement such programs.

Answer. The Tribal Area Strategy was created to advance our objectives in the Global War on Terror. The United States will help the Government of Pakistan recast its relationship with the country's Federally Administered Tribal Areas and work to alter the economic and development landscape. The U.S. and Pakistan agree there can be no purely military solution to the problem of violent extremism in the tribal areas. Weak economic fundamentals, rampant unemployment, a lack of social services (including education and health care), and an inadequate government presence breed social and political instability in the border region. Countering extremist influences in tribal areas will require a robust multiyear program that will address not only security concerns, but economic, developmental, and governance problems.

The U.S. Agency for International Development and the U.S. Department of State prepared a 5-year, \$750 million Tribal Areas Strategy that supports the Government of Pakistan's 10-year, \$2 billion Federally Administered Tribal Area Sustainable Development Plan. The three-pronged Tribal Areas Strategy has economic, development, and governance components. The programs provided through the U.S. Agency for International Development support short- and medium-term service delivery, while addressing the capacity constraints of government agencies to deliver essential services with speed and effectiveness. The Tribal Areas Strategy strengthens and expands ongoing U.S. efforts in infrastructure improvement, education, health, and economic growth. In addition the strategy will support Pakistani efforts to improve livelihoods, which has been identified as the tribal areas' principal immediate need. Community participation and buy-in as well as building the capacity of government agencies to deal effectively with communities is critical to long-term success.

In November 2007, the U.S. Agency for International Development's Office of Transition Initiatives launched its portion of the Tribal Areas Strategy, focused on building confidence and trust between the Pakistan Government and tribal area communities through a consultative approach that identifies and implements small community-improvement projects.

Question. Coalition Support Funds (CSF): How do the Department of State and the Department of Defense coordinate on the use of Coalition Support Funds (CSF)? What formal and informal coordination mechanisms exist? What is the step-by-step process for approval of the receipts for reimbursement for the Coalition Support Funds?

Answer. The Department of Defense is responsible for oversight of Coalition Support Funds reimbursements. Claims are submitted through the U.S. Embassy where they are reviewed for completeness and accuracy and then endorsed. They are then reviewed by U.S. Central Command which validates the link to U.S. military operations. The Office of the Secretary of Defense (Comptroller) evaluates the claims to ensure costs are reasonable and credible based on the documentation provided, obtains concurrence from the Department of State, and then prepares a determination for the Deputy Secretary of Defense to sign a notification to Congress. Once the 15-day congressional notification period expires, the Comptroller releases funds to the Defense Security Cooperation Agency for payment to Pakistan. For further details on Coalition Support Funds, we would refer you to the Department of Defense.

RESPONSES OF ACTING DEPUTY ADMINISTRATOR JAMES KUNDER TO QUESTIONS
SUBMITTED TO THE RECORD BY SENATOR ROBERT MENENDEZ

Question. Military-Civilian Coordination: Please outline the management mechanisms and the reporting chain with respect to any military-civilian coordination in the design, planning, or implementation of assistance programs in Pakistan. Which programs are operated solely by one agency and which ones are implemented jointly?

Answer. USAID does not implement any programs with the military. The only exception was in the case of humanitarian relief following the earthquake, where the support of the U.S. Armed Forces was vital in providing life-saving logistical support.

Question. Oversight: Please describe the steps the Department of State and USAID take to provide effective oversight of all the assistance programs in Pakistan to ensure that all the resources are used for their intended purpose. What legal and administrative oversight mechanisms exist?

Answer. All USAID contracts and grants are supervised by trained personnel to ensure the activities spend resources in order to obtain the agreed upon objectives. Regular financial audits are performed. Evaluations of projects after they end—and in some cases earlier for a mid-term evaluation—are part of our business approach. USAID has been hiring additional staff to increase project monitoring.

The \$200 million budget support funds are managed by the Government of Pakistan (GOP), through the Ministry of Finance and the Accountant General of Pakistan/Revenue. The USAID Mission in Pakistan monitors these funds at the national budget level to assure that the USG contributions are used in accordance with the agreements. The Department of State, USAID, and Treasury meet annually with Pakistan's Ministry of Finance counterparts (most recently in April 2007) to review Pakistan's progress in achieving the "Shared Objectives" before the grant is disbursed.

In addition, USAID's Regional Inspector General/Manila has done an assessment of the capacity of the Auditor General of Pakistan (the Supreme Audit Institution of Pakistan) and found them capable of performing audits at acceptable levels of quality. USAID's Regional Inspector General has asked the Supreme Audit Institution to perform the audit of the Cash Transfer. USAID's Regional Inspector General/Manila will approve the scope of work for the audit and the audit reporting package. The Regional Inspector General also conducts quality control reviews of the working papers onsite to ensure quality.

Question. FATA Strategy: Provide a comprehensive strategy and program description of at least the first 2 years of the \$750 million program for the FATA region. How was this mix of programs determined? Which agencies were involved in the strategy development? Provide an illustrative list of potential U.S. Government partners who may have the capacity implement such programs.

Answer. The FATA Development Program was created to help win the Global War on Terror. In order to do this the United States must help the Government of Pakistan recast its relationship with the country's Federally Administered Tribal Areas (FATA).

Since late 2001, Taliban and al-Qaeda elements have exploited FATA's loosely governed and impoverished environment to plan and launch attacks on Afghan, Pakistani, United States, and NATO forces in Afghanistan and Pakistan. Despite successes in the Pakistan military's campaign against terrorists and militants in FATA, the U.S. and Pakistan agree there can be no purely military solution to the problem. Factors such as a weak economy, rampant unemployment, a lack of social services, and an inadequate government presence breed social and political insta-

bility in the region. Countering extremist influences in FATA will require, among other approaches, a robust economic development program implemented with the support and assistance of the U.S. and the international community.

In response to these issues, the U.S. Agency for International Development and the U.S. Department of State prepared a 5-year, \$750 million development strategy for FATA that supports the Government of Pakistan's 10-year, \$2 billion FATA Sustainable Development Plan. The strategy supports short- and medium-term service delivery, while addressing the capacity constraints of government agencies to deliver essential services with speed and effectiveness.

The FATA development strategy strengthens and expands ongoing U.S. efforts in infrastructure improvement, education, health, and economic growth. In addition the strategy will support Pakistani efforts to improve livelihoods/jobs, which has been identified as the principal immediate need in FATA. Community participation and building the capacity of government agencies to deal effectively with communities will be critical to long-term success.

Long-Term Goals

1. Improve economic and social conditions in FATA communities: The people of FATA currently lack the most basic of economic opportunities and social services. There are few employment opportunities and a woefully inadequate number of functional hospitals and schools. U.S. support of Pakistani objectives will focus on employment generation and skills development, basic education, primary health care, infrastructure and agriculture, and media and public outreach. A key programmatic area of U.S. assistance in the short term will be the establishment of employment generation programs that will provide thousands of unskilled laborers in FATA with opportunities to build their communities while gaining market-applicable skills.

2. Enhance the legitimacy and writ of the Government of Pakistan in FATA: Taliban and al-Qaeda elements are able to become established and successfully operate in FATA largely because the Government of Pakistan's writ does not extend into most of the region. Generally, people in FATA live in remote, impoverished conditions, abide by tribal codes rather than Pakistani law, and do not benefit from Pakistani Government services. A major goal of the U.S. development strategy in FATA will be enhancing the Government of Pakistan's capacity to deliver essential services in FATA, including water and sanitation, health care, education, and road repair. Improved government access and delivery of services will help extend the influence and writ of the government in FATA.

3. Support permanent, sustainable change: It is ultimately the responsibility of local inhabitants, civil society, government and the private sector to permanently transform FATA from an impoverished, ungoverned space into an economically productive and politically stable region of Pakistan. Therefore, throughout program implementation, the USG will be mindful that its aim is to leave in place the essential mechanisms—local institutions, governance structures, and economic models—that FATA residents can use to sustain economic growth, social service improvements and political stability.

The FATA Development Program was designed in consultation with the U.S. Country Team (Office of the Defense Representative–Pakistan and Department of State–Narcotic Affairs Section (NAS)), USAID/Washington and other major bilateral and multilateral donors in Pakistan, including from Britain, Japan, Norway, and the Asian Development Bank.

Implementation Arrangements

Both USAID and the Department of State have done extensive planning for implementing the FATA Development Program.

NAS will utilize its existing implementation arrangements in expanding its road program. NAS is planning to assist with the establishment of an infrastructure unit within the FATA Secretariat to expedite implementation of its infrastructure activity. Preparations for a levy training center (local law enforcement) are well advanced and NAS will be in a position to begin contracting as soon as funds become available.

USAID will utilize a number of implementation arrangements to operate its capacity-building, livelihoods development, and service delivery programming. Implementing partners will include a mix of U.S. development firms, nongovernmental organizations, community-based organizations and public international organizations. Agreements will be through competitive procurements, grants, and indefinite-quantity contract mechanisms.

Capacity Building: USAID is in the concluding phase of the award of a Capacity Building Development Program under an existing indefinite quantity contract mech-

anism to accelerate the implementation of activities in the second quarter of FY 2007 in the following areas:

- Develop operational plans for each agency and frontier region;
- Establish monitoring and reporting systems;
- Improve capacity of government agencies to develop implement and manage development programs at the agency and community level;
- Improve the capacity of FATA NGOs to develop, implement, and manage development programs;
- Develop media strategies for government institutions;
- Improve coordination of civil/military activities;
- Identify long-term capacity, organizational, and policy issues for Government agencies.

Livelihoods Development: USAID has initiated the procurement of a Livelihoods Development Program through full and open competitive applications directed at establishing a community-based program implementing activities in the second quarter of FY 2007 in the following areas:

- Creating jobs, increasing incomes and teaching employable skills with a focus on unemployed youth;
- Revitalizing community infrastructure and essential services;
- Supporting established businesses and developing new sustainable businesses.

Service Delivery: USAID's Office of Transition Initiatives (OTI) has conducted a FATA assessment and is now operational, having awarded grants to Creative Associates and IOM to engage in community mobilization (small infrastructure projects) and a media campaign to support/publicize community activities. OTI will work in four agencies—Orakzai, Kurram, Mohmand, and Khyber. USAID is also amending its current contracts and grants in health, water and sanitation, HIV/AIDS, education and economic growth to include work in the FATA.

