



The Limits of U.S. Assistance to Pakistan

A Special Comprehensive Audit of All U.S. Assistance to Pakistan Is Essential

Colin Cookman, Brian Katulis, and Caroline Wadhams July 2011

Introduction

The U.S. decision to defer nearly \$800 million in counterterrorism funding to Pakistan is the latest turn in a downward spiral of U.S.-Pakistan relations. Given the ejection of U.S. military trainers from Pakistan, ongoing concerns over the misuse of U.S. aid dollars, and mounting evidence of Pakistani complicity with insurgent groups, this step was necessary. But a more comprehensive review of all aid to Pakistan is now essential to weigh the costs and benefits of our assistance and determine the best aid package for advancing U.S. security interests in both Pakistan and the broader region.

Ties between the two countries have suffered a series of blows over the past year as both sides trade mutual recriminations over a CIA contractor arrested after shooting and killing two men in Lahore, the ouster of U.S. intelligence officials, the unilateral U.S. raid on Osama bin Laden's hideout in Abbottabad, and the assassination of a Pakistani journalist allegedly involving Pakistan's powerful Inter-Services Intelligence agency.

These incidents highlight a deeper tension. The United States perceives Pakistan as unable or unwilling to take decisive action against militant groups operating on its territory and attacking U.S. armed forces and our allies in Afghanistan. On the other hand, many Pakistani officials believe the United States is regularly bypassing and using Pakistan to further its own short-term security objectives and to establish a political system in Afghanistan that has the potential to directly threaten Pakistan's security.

Since the 9/11 terrorist attacks in 2001 and the subsequent invasion of Afghanistan, the United States and Pakistan have struggled to forge a common purpose and partnership. After 10 years and more than \$20 billion in combined military and nonmilitary assistance, the United States and Pakistan are at a crossroads. Pakistan's internal stability is deteriorating, with economic, security, and political crises, and Pakistan continues to resist targeting militant groups within its territory and to thwart U.S. and NATO stabilization efforts in Afghanistan.

U.S. military disengagement from Afghanistan may begin to release both countries from the dysfunctional dynamic, but bilateral relations will continue to face intense strains over the next few years. Given the urgency of the current crisis, U.S. policymakers need to conduct a broader systemic assessment of its bilateral assistance to Pakistan, how best to use it to achieve U.S. objectives in Pakistan, and whether assistance should be further reduced or reallocated. The current approach is clearly not working. As the Obama administration continues its efforts to streamline its development assistance programs in Pakistan, this issue brief examines the current programs and explores some possible alternatives.

Overview: Current U.S. military and nonmilitary assistance

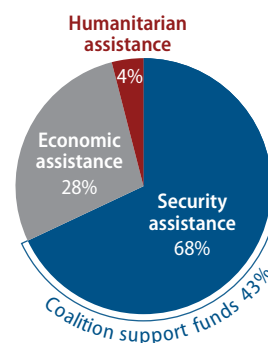
Since 9/11, American policymakers have significantly increased military and nonmilitary assistance to Pakistan in an attempt to expand our otherwise limited leverage on a broad range of strategic concerns as well as to support Pakistan's nascent democracy. U.S. annual bilateral aid in total went from \$5.3 million in 2000 to \$798 million in 2002 to more than \$4.4 billion in 2010. More than two-thirds (68 percent) of the \$20.73 billion in total appropriated assistance over the past eight fiscal years has gone to security-related aid. The bulk of that assistance (\$8.88 billion) was disbursed in the form of "Coalition Support Funds," a program inaugurated in 2002 that is intended to reimburse Pakistan for military operations conducted against militant groups along its border. (see Figure 1)

The fungibility of the funds and the opacity of the Pakistani military budget, which does not list Coalition Support Funds as a source of revenue or disclose how they are spent, make tracking the degree to which they have actually been used for this purpose difficult. The belated imposition of stricter scrutiny on the part of the Pentagon since 2008 to CSF payments has led to running disputes with the Pakistani military and civilian institutions over reimbursements, with U.S. officials denying inflated and poorly accounted for claims, and Pakistani officials complaining of late payments and a failure to recognize the costs borne by their military.

Despite provisions that render security assistance contingent on counterterrorism cooperation, including crackdowns on groups such as Lashkar-e-Taiba, the terrorist organization that carried out the November 2008 attacks in Mumbai with support from within Pakistan, in practice these restrictions were generally waived. Ultimately, the Coalition Support Funds model leaves both American and Pakistani taxpayers unclear on the true costs of Pakistan's military operations in its northwest and the degree to which U.S. funds are being used to support those operations or other priorities of the Pakistani military.

Meanwhile, Pakistan's economy remains in a severely troubled state. The nation's divided political leadership is unable to mobilize a political consensus around broadening the tax base and increasing domestic revenue collections, which means the current government, like many before it, labors under perennial budget deficits. Only 2 percent

FIGURE 1
Total U.S. assistance to Pakistan, FY2002-FY2010



Note: All figures appropriated funds only. Figures subject to rounding.

Source: Congressional Research Service, <http://www.fas.org/sgp/crs/row/pakaid.pdf>.

of the population pays income tax, and recent government estimates indicate the country loses almost as much to tax evasion as it takes in (between 7 percent to 9 percent of gross domestic product). Borrowing to offset the gap has fueled rising inflation and mounting internal and external debts, the annual servicing of which alone now amounts to almost as much as Pakistan collects in taxes. Shortfalls in energy production and cyclical debts between energy producers, distributors, and consumers contribute to hours without power in many of the country's major cities, hampering the country's business and export sectors. Water management is also an area of concern.

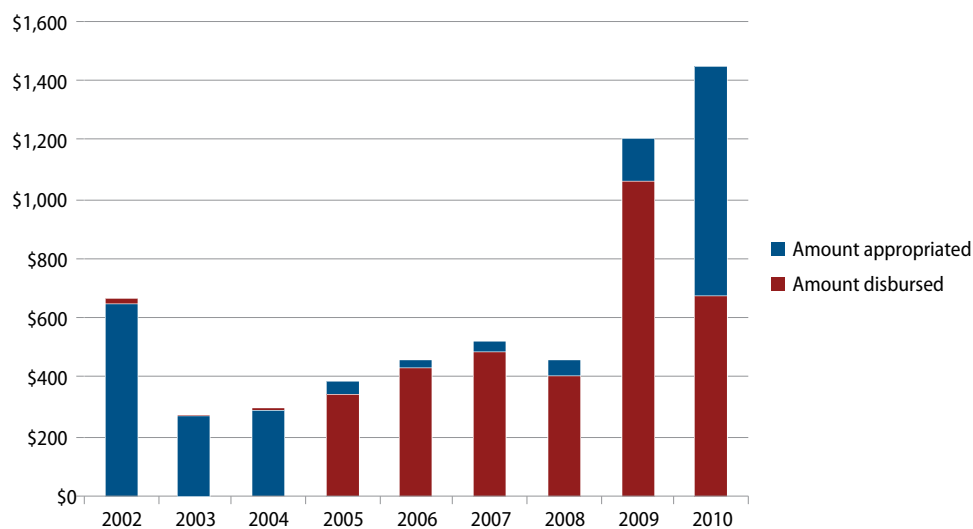
The Obama administration attempted to expand its bilateral aid relationship beyond an almost-exclusive focus on military assistance through the Enhanced Partnership with Pakistan Act of 2009, co-sponsored by Sen. John Kerry (D-MA), Sen. Richard Lugar (R-IN), and Rep. Howard Berman (D-CA). Prior to the passage of the Kerry-Lugar-Berman bill, between fiscal years 2002 and 2008, nearly three-quarters (73.4 percent) of all money going to Pakistan was security aid. This bill authorized \$1.5 billion annually, over five years, for a broad range of nonmilitary initiatives including agriculture, energy, economic development, water, education, public health, and expansion of the rule of law. The bill was also crafted to incentivize the Pakistani civilian government to undertake genuine political and economic reform, to reduce anti-Americanism within Pakistan, and build greater Pakistani support for counterterrorism efforts.

Unfortunately, the effectiveness of this new assistance remains in doubt. The United States has been unable to allocate the assistance as quickly as hoped due in part to the Pakistani government's weak planning capabilities, the U.S. government's own bureaucratic failings, the lack of absorption capacity among Pakistan's nongovernmental implementing partners, and the difficulty in finding local accounting firms to oversee monitoring and evaluation.

The current U.S. assistance package to Pakistan suffers from a lack of transparency about how money is being disbursed and confused objectives regarding what the assistance is

FIGURE 2
U.S. economic assistance disbursed to Pakistan, 2002-2010

In millions



Note: All figures subject to rounding. Economic assistance includes Economic Support Funds, Child Health and Survival / Global Health and Child Safety, Democracy Assistance, Human Rights and Democracy Funds, and Food Aid accounts, and some other State Department programs. Not included: Counternarcotics, Law Enforcement, Nonproliferation, or International Disaster Assistance / Migration and Refugee Assistance accounts.

Source: Congressional Research Service (appropriated funds) <http://www.fas.org/sgp/crs/row/pakaid.pdf>; <http://www.fas.org/sgp/crs/row/RL33498.pdf>; USAID Greenbook (FY2002-FY2009 disbursed funds); Center for Global Development (FY2010 disbursed funds).

supposed to achieve. As the Center for Global Development notes in a [recent report](#) on aid to Pakistan, the United States has attempted to use its development assistance to pursue additional U.S. strategic objectives beyond development outcomes such as reducing anti-Americanism or increasing support for counterterrorism efforts, with little success.

Moreover, the way the overall U.S. assistance package to Pakistan is structured—with the overwhelming balance of it paid in the form of Coalition Support Fund reimbursements for claims made after the fact that cannot be directly audited by either the United States or the Pakistani civilian government—actively encourages and fosters corruption, mismanagement, and waste, rather than making it less likely.

Yet despite the difficulties with this assistance and calls from some members of Congress to cut aid to Pakistan, the Obama administration has, rightly, not sought punitive cuts to the United States' nonmilitary assistance to Pakistan. Economic and development assistance to Pakistan needs to be assessed for effectiveness and proper financial controls against waste and fraud. But cutting non-military aid as retribution for Pakistani inaction against Al Qaeda and other terrorist groups operating within its borders risks further solidifying the Pakistani military's position outside the reach of civilian control, further constricting the civilian government's flexibility to control its own budgets, and further alienating Pakistan from American attempts at enlisting its cooperation on our own priorities in the region.

Steps forward

There are options between slashing U.S. military and nonmilitary assistance entirely and maintaining the status quo. We should begin with an assessment of all bilateral U.S. assistance to Pakistan and forge a new approach that demands mutual accountability for security assistance and cutbacks if cooperation cannot be reached, but still prioritizes civilian institution building and economic growth. Over the long term this is the path that will help generate greater prosperity for the Pakistani people—a key factor in reversing the current instability trend.

Pouring billions of dollars into Pakistan's security sector has done little to address the country's endemic poverty and weak governance, let alone curtail the growing insurgency problem within its borders and on the other side of the border with Afghanistan. With little investment in Pakistan's civilian institutions, stability over the long term remains deeply under threat, with real implications for our own national security.

A new approach would continue to further elevate the importance of strengthening Pakistan's civilian government and enhance the Pakistanis' capacity to govern—a basic goal of the Kerry-Lugar-Berman assistance package. But the United States must recognize that the potential of this assistance to induce strategic shifts against militant groups will be limited. Over time, of course, better governance and sustained economic growth

can help inhibit enthusiasm for extremism groups, although it alone cannot eliminate their existence. Either way, we must recognize the limitations of our leverage over Pakistan's military and its powerful intelligence service.

Any security assistance resources should therefore be allocated within the context of this broader and more comprehensive U.S. aid agenda. There are numerous individuals and organizations within Pakistan that are attempting to move their country in a positive direction. The United States should support the strengthening of those voices within Pakistani society. But pumping unmonitored U.S. dollars into the Pakistani political and military system is not the way to help.

Potential steps forward include:

Conduct audit of all U.S. assistance to Pakistan

Given the ongoing concerns over the effectiveness of U.S. security assistance and allegations of continued human rights abuses, complicity with militant groups by the Pakistani security forces, and allegations that the Pakistani military is utilizing U.S. assistance for different purposes than agreed upon, security assistance must be more carefully assessed and tracked. The United States has an interest in maintaining some level of support for the development of Pakistani military capacities if possible, particularly on the counterterrorism and counterinsurgency fronts, but must evaluate more carefully how it can establish clear mutual expectations for cooperation and link security assistance to performance on these issues.

President Obama should call on Secretary of State Hillary Clinton and USAID Administrator Rajiv Shah to develop a special joint unit between their existing inspector general offices to conduct an immediate assessment of nonmilitary assistance to Pakistan.

And above all, the United States needs to clearly distinguish between civilian and military aid. We need to assess who this money impacts within Pakistan, and how curtailing specific aid flows would advance or undermine U.S. objectives in Pakistan, Afghanistan, and the region over the long term.

Increase oversight and transparency of all assistance

U.S. government agencies should implement recommendations from the February 2011 report by the Government Accountability Office, including those that focus on the need to improve overall planning, monitoring, documentation, and oversight of assistance. U.S. agencies need to provide more information to Congress including their program monitoring and evaluation processes, and identify Pakistani organizations that may require greater accountability prior to the disbursement of funds so additional oversight can be conducted as needed.

President Obama should designate one senior U.S. government official to manage and oversee all nonmilitary assistance to Pakistan. The president and Congress must ensure this new appointee has all the necessary tools, instruments, and authorities necessary to do this job.

U.S. aid agencies must increase the transparency of nonmilitary assistance through the development of innovative information-sharing mechanisms, electronic and otherwise, so Pakistani government officials can be held accountable for funds by both Pakistani and U.S. taxpayers. In 2010 the U.S. government launched the new Foreign Assistance Dashboard, an important step toward increasing the timeliness, transparency, and comprehensiveness of information on American foreign assistance worldwide. The United States supported such transparency initiatives in other countries, including in Namibia, where a U.S. Agency for International Development-funded program enabled parliamentarians to design a website enabling citizens and civil society to track legislation and communicate with parliamentarians.

Similarly, in Bangladesh, USAID supported special watchdog organizations to conduct oversight on a range of programs and projects. These efforts should be considered as models for American assistance work in Pakistan as well.

[Elevate nonmilitary assistance, making it more sustainable and effective](#)

As the Obama administration attempts to craft a prioritized development agenda for Pakistan, it should strongly encourage Pakistani government and civil society representatives to take the lead in creating specific development priorities and to develop clear mechanisms for accountability and transparency. While the Kerry-Lugar-Berman bill was a critical initial effort to shift U.S. priorities in Pakistan, it has encouraged an approach to development that is a mile wide and an inch deep. It has a wide-ranging, kitchen-sink list of priorities that covers everything from public-private partnerships to strengthening Pakistan's counterinsurgency and counterterrorism strategy. This needs to change.

Instead, the United States needs to focus on effectiveness and sustainability of assistance, not speed of disbursement. As the February 2011 GAO report noted, the problems of corruption and the lack of capacity with the Pakistani government have a direct impact on the dispersal of U.S. assistance. These challenges need to be addressed innovatively but are no reason not to engage. The careful, slow dispersal of funds to a range of organizations in order to build capacity and move beyond absorption concerns combined with active information sharing is essential to success and to project longevity. Working simultaneously with nongovernment organizations, technocrats, and civil service officials should be a priority in order to help determine achievable outcomes—not just specific objectives—in order to help jumpstart programming now while making a contribution to Pakistan's eroded state authority over the long term.

Conclusion

U.S.-Pakistan cooperation is fickle and incomplete but it remains a partnership that both countries have an interest in maintaining—and strengthening to the extent possible. Both sides must recognize that, just as promises of money alone cannot paper over differing strategic perspectives, nor can that money have a meaningful effect on Pakistan's serious internal problems if it is not matched by a commitment to address those problems with domestic resources and political will.

Ultimately, the Pakistani government must become a genuine partner for our military and nonmilitary assistance to succeed. U.S. policymakers cannot fix Pakistan for itself. But they can better utilize U.S. assistance to support Pakistan as it struggles to resolve a number of competing crises. Ad hoc increases or cuts to American aid programs will not be effective as a carrot or stick for enticing cooperation with American security priorities. U.S. policymakers need to review and refocus our aid to ensure it has the greatest chance of contributing to the creation of a self-sustaining Pakistani state able to take responsibility for its own internal challenges and be a constructive partner within the broader region.

Colin Cookman is a Research Associate for National Security, Brian Katulis is a Senior Fellow, and Caroline Wadhams is a Senior Fellow at American Progress.