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**BEFORE THE SENATE COMMITTEE ON FOREIGN RELATIONS
SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT, FOREIGN
ECONOMIC AFFAIRS
AND INTERNATIONAL ENVIRONMENTAL PROTECTION
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U.S. Foreign Assistance to Pakistan

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 run up 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 pre-electoral 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 world-wide 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% annual growth in their Gross Domestic Product over the last five 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 five die early, often due to treatable ailments. The female literacy rate is as low as 3% 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 under-developed 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 hide-outs 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 hide-outs in these under-governed 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 under-governed and under-developed, 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 dollars. These funds have supported education reform, including training teacher 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, promoted grass roots 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 micro-finance 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 counter-narcotics funding and \$87 million in Department of Defense counter-narcotics funding and \$37.2 million in Section 1206 counter-terrorism 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 counter-insurgency training, improve counter-insurgency 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 five-year, \$750 million development strategy for Pakistan's frontier region that supports the Government of Pakistan's nine-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 pre-requisite 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 cut-offs. 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 counter-terrorism 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 five-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 development cooperation that we would need to work closely with one another in monitoring and accounting for the use of our assistance. The bulk of U.S. assistance to this region will be implemented through contractors and grantees, and will be monitored per standard USAID and Inspector General oversight guidelines. I will defer to my colleague from USAID, whose understanding of these mechanisms is much greater than my own.

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, re-transfer 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 multi-faceted 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 re-building 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.

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