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ENHANCED PARTNERSHIP WITH PAKISTAN ACT OF 2008

SEPTEMBER 26 (legislative day, SEPTEMBER 17), 2007.—Ordered to be printed

Mr. DODD, from the Committee on Foreign Relations,
submitted the following

REPORT

[To accompany S. 3263]

The Committee on Foreign Relations, having had under consideration the bill S. 3263, to authorize appropriations for fiscal years 2009 through 2013 to promote an enhanced strategic partnership with Pakistan and its people, and for other purposes, reports favorably thereon and recommends that the bill do pass.

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I. PURPOSE

The purpose of this legislation is to authorize appropriations for fiscal years 2009 through 2013 to promote an enhanced strategic partnership with Pakistan and its people.

II. COMMITTEE ACTION

S. 3263 was introduced on July 15, 2008 by Senators Biden and Lugar. At a meeting on July 29, 2008, by unanimous voice vote, the committee ordered the bill favorably reported, without amendment.

III. DISCUSSION

S. 3263, the Enhanced Partnership with Pakistan Act of 2008, seeks to transform the relationship between the United States and Pakistan from a transactional, tactically-driven set of short-term exercises in crisis-management, into a deeper, broader, long-term strategic engagement. The legislation aims to properly balance the relationship between United States and Pakistan by acknowledging and supporting the national security interests of the United States as well as the economic and geo-political interests. United States

economic and military assistance for Pakistan enhances our mutual security while helping to build a more economically and politically stable country important in a regional and strategic sense. Economic assistance is as critical an element as strengthening the capacity of the Pakistan military to counter terrorism, especially for projects that provide direct and concrete benefit to Pakistani citizens as a whole. The overall level of economic assistance authorized would be raised substantially, with the bulk of this aid intended for projects such as schools, roads, medical clinics, and infrastructure development.

The significant increase in assistance authorized by this legislation is intended to broaden and deepen non-military programs across a country of some 170 million people, where less than 50 percent of the population can read and write and whose Global Hunger Index ranking is nearly on par with that of North Korea. The legislation highlights the essential economic assistance pillar to achieve mutual goals of improved human security through basic services, education, economic opportunity, political participation and human rights. The legislation contains Sense of Congress language urging that security-related assistance be provided in close coordination with the Government of Pakistan, designed to improve the Government's capabilities in areas of mutual concern, and maintained at a level that will bring significant gains in counterterrorism, counterinsurgency, and regional harmony. The legislation does not preclude an increase or a decrease in the level of security-related aid.

The legislation mandates that funds appropriated or otherwise made available to carry out section 5 shall be utilized to the maximum extent possible as direct expenditures for projects and programs. It does not preclude the use of some portion of the authorized funds for temporary budgetary support (for example, in order to help the Government of Pakistan deal with economic crises resulting from sudden increases in the price of food and fuel), but the intent of the legislation is to shift most Economic Support Funds from budgetary support to direct expenditures for projects and programs with effective United States oversight of such assistance.

The legislation permits up to 7 percent of the funds authorized to be used for administrative expenses of Federal departments and agencies in connection with the provision of assistance authorized by this section, or to be made available to the Inspector General of the United States Agency for International Development to provide audits and program reviews of projects funded pursuant to this section. It is the intent of this legislation that this provision provides important flexibility to the U.S. Agency for International Development, which has a limited overall budget for operational expenses. Given the magnitude of the assistance and the critical nature of the purpose of such funds, the Committee expects that the Agency will, however, endeavor to keep administrative expenses to a minimum, while at the same time, the Committee also expects that sufficient program funds will be made available, pursuant to subsection (f)(2), to the Office of Inspector General (OIG) to ensure adequate oversight of all programs. The significant growth of economic assistance contemplated by this Act warrants close oversight, by the Agency and by OIG.

Specifically, the legislation:

Authorizes \$7.5 billion over the next 5 fiscal years (\$1.5 billion annually) under the Foreign Assistance Act. Advocates an additional \$7.5 billion over the subsequent 5 years, subject to improvements in the political and economic climate; and

Conditions military grant assistance and Foreign Military Financing assistance beginning in 2010, and new military sales beginning in 2012, on certification by Secretary of State that Pakistani security forces:

are making concerted efforts to prevent al Qaeda and associated terrorist groups from operating in the territory of Pakistan;

are making concerted efforts to prevent the Taliban from using the territory of Pakistan as a sanctuary from which to launch attacks within Afghanistan;

are not materially interfering in the political or judicial processes of Pakistan.

Urges a reorientation of engagement towards the Pakistani people rather than merely towards the Pakistani government (civilian or military).

Urges accountability and transparent reporting of Coalition Support Funds.

Directs the Secretary of State (in consultation with other officials) to develop a comprehensive strategy for the Afghan-Pakistan border area.

A premise for this plan is a simple thought-exercise: Following the earthquake in Kashmir in 2005, the United States devoted nearly \$1 billion to relief efforts, and reaped a greater reward in popular support than any amount of public diplomacy could generate. The sight of American servicemen and women saving the lives of Pakistani citizens was worth ten times the cost of operating the Chinook helicopters. For a brief period, America was challenging the terrorists in a true battle of hearts and minds—and winning. S. 3263 seeks to recreate such conditions—to materially and powerfully demonstrate the true friendship of the American people for the Pakistani people—without waiting for a natural (or man-made) disaster.

IV. COST ESTIMATE

In accordance with Rule XXVI, paragraph 11(a) of the Standing Rules of the Senate, the committee provides this estimate of the costs of this legislation prepared by the Congressional Budget Office.

UNITED STATES CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 26, 2008

Hon. JOSEPH R. BIDEN, JR.,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 3263, the Enhanced Partnership with Pakistan Act of 2008.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is John Chin.

Sincerely,

PETER R. ORSZAG.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 26, 2008.

S. 3263

Enhanced Partnership With Pakistan Act of 2008

AS ORDERED REPORTED BY THE SENATE COMMITTEE ON FOREIGN
RELATIONS ON JULY 29, 2008.

SUMMARY

S. 3263 would authorize the appropriation of up to \$1.5 billion a year over the 2009–2013 period—a total of up to \$7.5 billion over five years—for nonsecurity assistance to Pakistan. CBO estimates that implementing S. 3263 would cost \$344 million in 2009 and about \$5 billion over the 2009–2013 period, assuming appropriation of the authorized amounts. (Additional spending over the 2014–2018 period would total about \$2.5 billion, CBO estimates.) Enacting the bill would not affect direct spending or revenues.

S. 3263 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

S. 3263 could impose a private-sector mandate, as defined in UMRA, on exporters of major defense equipment. If the Secretary does not certify that the security forces of Pakistan have met certain security standards by 2012 or does not waive the requirement for such certification, the bill would prohibit the export of major defense equipment to Pakistan. CBO cannot determine whether the cost of the mandate, if imposed, would exceed the annual threshold established in UMRA for private-sector mandates (\$136 million in 2008, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 3263 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

Changes in Spending Subject to Appropriation by S. 3263

By Fiscal Year, in Millions of Dollars

	2009	2010	2011	2012	2013	2009– 2013
Authorization Level	1,500	1,500	1,500	1,500	1,500	7,500
Estimated Outlays	344	854	1,098	1,296	1,401	4,993

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 3263 will be enacted near the start of fiscal year 2009, that the authorized amounts will be provided in annual appropriation acts each year, and that outlays will follow historical spending patterns for existing programs.

Assistance to Pakistan

Section 5 would authorize the appropriation of up to \$1.5 billion a year over the 2009–2013 period for assistance programs in Pakistan and would require the administration to prepare annual reports on the implementation of those programs. Those funds would be used for projects that promote democratic governance and private-sector growth, and for education, construction of physical infrastructure, and other programs intended to benefit the people of Pakistan. Consistent with the bill's provisions on use of funds, CBO assumes that appropriations would be made through Economic Support Funds. Assuming appropriation of the authorized amounts, CBO estimates that implementing this provision would cost about \$5 billion over the 2009–2013 period.

Limitations on Security Assistance

Section 6 would limit certain military assistance after 2010 and arms transfers after 2012 to Pakistan unless the Secretary of State certifies that Pakistani security forces are not materially interfering in their country's judicial or political processes and that they are making concerted efforts to prevent terrorists from operating in Pakistan or using it as a sanctuary. The bill would allow the Secretary to waive those certification requirements in the interests of national security. CBO expects that the Secretary would exercise the waiver authority if she were unable to make the necessary certification, and thus, that implementing that section would have no significant effect on spending subject to appropriation.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 3263 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 3263 could impose a private-sector mandate, as defined in UMRA, on exporters of major defense equipment to Pakistan if the Secretary of State does not certify that the security forces of Pakistan have met certain security standards by 2012. If the Secretary does not issue such certification, the bill would prohibit the necessary licenses and programs for private entities to export major defense equipment to Pakistan. The bill would, however, allow the

Secretary of State to waive the prohibition of exports of major defense equipment if the Secretary determines it is in the national security interest of the United States to provide such waiver. CBO assumes that the Secretary would exercise such a waiver. In the event that such exports are prohibited, the cost to comply with the mandate would be the forgone net income attributed to the sale of major defense equipment to Pakistan. According to industry experts and the Defense Security Cooperation Agency, the value of major defense equipment exported to Pakistan has varied from hundreds of millions of dollars per year to billions of dollars per year. Because of this variation, CBO cannot determine whether the cost of the mandate, if imposed, would exceed the annual threshold established in UMRA for private-sector mandates (\$136 million in 2008, adjusted annually for inflation).

Estimate Prepared By:

FEDERAL COSTS: John Chin.

IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS Melissa Merrell.

IMPACT ON THE PRIVATE SECTOR: Jacob Kuipers.

Estimate Approved By:

Theresa Gullo, *Deputy Assistant Director for Budget Analysis*

V. EVALUATION OF REGULATORY IMPACT

Pursuant to Rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the committee has determined that there is no regulatory impact as a result of this legislation.

VI. CHANGES IN EXISTING LAW

In compliance with Rule XXVI, paragraph 12 of the Standing Rules of the Senate, the committee has determined that there are no changes in existing legislation as a result of this legislation.