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## U.S. Coalition Support Funds to Pakistan: From Ineffective, Unaccountable Reimbursements to a Long-Term, Strategic Relationship

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**U.S. COALITION SUPPORT FUNDS TO PAKISTAN:  
FROM INEFFECTIVE, UNACCOUNTABLE REIMBURSEMENTS  
TO A LONG-TERM, STRATEGIC RELATIONSHIP**

PREPARED FOR

CHAIRMAN JOHN F. TIERNEY

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## I. EXECUTIVE SUMMARY

Pakistan's return to civilian democracy – including the February 18, 2008 parliamentary elections, the August 18, 2008 resignation of President Pervez Musharraf, and the September 9, 2008 election of President Asif Ali Zardari – opened a new chapter in Pakistani political history. These historic events represent a crucial opportunity for the United States to strengthen its ties to Pakistan in a manner consistent with United States national security objectives, regional harmony, and democratic Pakistani institutions.

The United States and Pakistan forged an uneasy, yet critical, alliance following the events of 9/11 and after decades of uneven bilateral relations. Pakistan publicly repudiated the Taliban and has become a public ally in counterterrorism efforts. Pakistan has also become the third largest recipient of United States military and economic support.<sup>1</sup>

But much of this financial support has been ad hoc, lacking suitable accountability, arguably ineffective in some respects, and not guided by a long-term strategic plan. Problematic are the military reimbursements to the Pakistani military by means of presidentially-supported and congressionally-appropriated Coalition Support Funds. Approximately \$6.3 billion has been transferred to Pakistan to date under the Coalition Support Funds program which represents greater than fifty percent (50%) of the total United States support to Pakistan since 9/11.

During the 110<sup>th</sup> Congress, the Subcommittee on National Security and Foreign Affairs has conducted an extensive investigation of the Coalition Support Funds program. This report summarizes our findings regarding the material weaknesses of Coalition Support Funds, and offers a new path for support that is sustainable, long-term, and strategic.

The report first provides some background on the vital U.S. national security interests in Pakistan as well as an overview and history of the Coalition Support Funds program. The report then reviews three areas where the program requires strengthening or calls for reconsideration: 1) accountability, 2) effectiveness, and 3) diplomatic strategy.

- 1) **Accountability.** The Coalition Support Funds program was envisioned as an ad-hoc, short-term, emergency method of paying for military expenses in support of U.S. war efforts and was explicitly created outside of any existing program or accountability measures. It would appear that, with respect to accountability, the Defense Department has been playing catch-up ever since. There are wide reports of corruption and serious concerns that much (possibly more than 40 percent) of the funding has never actually reached the Pakistani army. For the period January 2004 to June 2007, the Defense Department paid over \$2 billion in U.S. taxpayer funds for Pakistani claims without sufficient information from which a third-party could recalculate the costs.<sup>2</sup> Further, the Defense Department may have paid significant sums that were not authorized, were not

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<sup>1</sup> *Country Reports on Terrorism 2007*, U.S. Department of State (Apr. 31, 2008), at 139.

<sup>2</sup> Written Testimony of Charles Michael Johnson, Jr., Director, International Affairs and Trade, U.S. Government Accountability Office, before the Subcommittee on National Security and Foreign Affairs, Committee on Oversight and Government Reform, U.S. House of Representatives (June 24, 2008), at Highlights.

based on actual activity, or were duplicative.<sup>3</sup> Over the summer, the Defense Department issued new administrative guidance designed to tighten oversight of Coalition Support Funds. This is a welcome development; however, the structure of the program itself, along with the lack of access to Pakistani documentation and facilities, suggests accountability problems will be difficult to eradicate.

- 2) **Effectiveness.** The Coalition Support Funds program has provided financial support to base approximately 100,000 regular Pakistani Army and Frontier Corps personnel in western Pakistan.<sup>4</sup> Despite the tragic and heroic deaths of over a thousand of these troops, the efficacy of Pakistani military operations in the border areas has been widely criticized,<sup>5</sup> centrally because these forces are not adequately trained or capable of conducting counterinsurgency operations. There are also lingering allegations of a conscious ambivalence in attacking certain militant elements due to longstanding Pakistani ties to the Taliban. Some have even labeled Pakistan's post-9/11 military operations as counterproductive as they have had the unintended consequence of dismantling existing governing institutions in the border areas. Moreover, Coalition Support Fund payments continued at a steady rate even through times of limited operations, such as during the 10-month truce during the North and South Waziristan accords.
- 3) **Diplomatic Strategy.** According to the Defense Department, the Coalition Support Funds program is designed to induce the Pakistani military to support U.S. military objectives in a mission that Pakistan could otherwise not afford. However, there is a credible critique that the program looks like a rental arrangement designed to get Pakistan to undertake operations in the United States' rather than Pakistan's interests. This structure exacerbates diplomatic challenges facing the long-term bilateral relationship because of a widespread perception in Pakistan that its military establishment has been "bought off" by the United States in a manner that compromises Pakistani security interests. Pakistan's return to democratic and civilian rule makes such domestic perceptions ever more relevant, and such perceptions could hamper the ability of the two countries to work together on shared national security challenges such as fighting against the strengthening of al Qaeda and Taliban militancy in the border areas.<sup>6</sup>

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<sup>3</sup> *Id.*

<sup>4</sup> Alan Kronstadt, *CRS Report for Congress: Pakistan-U.S. Relations*, Congressional Research Service (Aug. 25, 2008), at 26.

<sup>5</sup> See, e.g., *Pakistan Army Action Has Slight Effect: U.S. General*, REUTERS (Jul. 25, 2007); Griffe Witte, *Pakistan Seen Losing Fight Against Taliban and Al Qaeda*, WASH. POST (Oct. 3, 2007); Mark Sappenfeld, *Pakistan's Army: Unprepared to Tackle Terrorism?*, CHRIST. SCIENCE MON. (Oct. 22, 2007).

<sup>6</sup> Terror Free Tomorrow's January 2008 survey of Pakistani public opinion suggests that a change in policy could help turn the tide of anti-American sentiment currently prevalent in Pakistan:

[P]otential changes in American policies could result in profound changes in opinions of the United States itself. Anywhere from a majority to more than two-thirds of Pakistanis said that policies ranging from increased American business investment, free trade, educational aid, disaster assistance, medical care and training and increased U.S. visas for Pakistanis would significantly improve their opinion of the United States.

*Results of a New Nationwide Public Opinion Survey of Pakistan before the February 18<sup>th</sup> Elections*, Terror Free Tomorrow (Jan. 19-29, 2008), at 4.

All of this raises the question as to whether the United States should fundamentally reevaluate the funding platforms for assisting Pakistan in achieving mutual security and military objectives. Policy makers in Washington and Islamabad should consider phasing out the Coalition Support Funds program with respect to Pakistan in favor of alternatives focused on building the counterinsurgency capacity of the Pakistani military and shared national security objectives. These alternative funding platforms should include appropriate accountability protections and be funded through the normal appropriations process rather than emergency spending measures.

A transition away from the Coalition Support Funds model could be done without a drop in overall security support for Pakistan. Note that a fifty percent figure – roughly \$500 million per year – would represent an estimate by one senior official to actually be making it back to the relevant Pakistani military components under the current Coalition Support Funds program. This should be examined, and if there is excess funding once the program is phased out into more appropriate long-term, strategic funding platforms, this excess funding should be redirected to these other critical bilateral priorities:

- Establish significant funding to support Pakistan's efforts to enhance law enforcement and justice-sector capacity, something increasingly seen as vital.
- Provide robust funding for education, health, energy, economic, and institution-building that is delivered in a manner that would be visible and meaningful to all segments of the Pakistani populace. It should be a high priority to fund the "democracy dividend" proposed by Senators Joseph Biden (D-DE) and Richard Lugar (R-IN) to the new democratically-elected Pakistani government and serve as a powerful signal that the United States does, in fact, favor democracies.

Now is the time to fundamentally rethink the complexion of the United States relationship with Pakistan, including the various flows of financial support. It is now more than seven years after 9/11 and beyond time for the United States to shift from temporary reimbursement and assistance programs to a strategic relationship with Pakistan, its institutions, and its people.

## II. METHODOLOGY

This Subcommittee report is over a year in the making, and includes perspective garnered from:

- Three Subcommittee Congressional Delegations (CODELs) to both Pakistan and Afghanistan during the 110<sup>th</sup> Congress;
- Testimony provided to the Subcommittee during six hearings focused on Pakistan, namely:
  - “Extremist Madrassas, Ghost Schools, and U.S. Aid to Pakistan: Are We Making the Grade on the 9/11 Commission Report Card?” (May 9, 2007) (<http://nationalsecurity.oversight.house.gov/story.asp?ID=1295>);
  - “Pakistan at the Crossroads; Afghanistan in the Balance” (July 12, 2007) (<http://nationalsecurity.oversight.house.gov/story.asp?ID=1389>);
  - “Pakistani Elections: Will They be Free and Fair or Fundamentally Flawed (December 19, 2007) (<http://nationalsecurity.oversight.house.gov/story.asp?ID=1670>);
  - “Pakistani Elections: Will They be Free and Fair or Fundamentally Flawed? (Part II)” (January 29, 2008) (<http://nationalsecurity.oversight.house.gov/story.asp?ID=1705>);
  - “Oversight of U.S. Coalition Support Funds to Pakistan” (June 24, 2008) (<http://nationalsecurity.oversight.house.gov/story.asp?ID=2036>); and
  - “Oversight of U.S.-Pakistan Relations: From Ad Hoc and Transactional to Strategic and Enduring” (September 24, 2008) (<http://nationalsecurity.oversight.house.gov/story.asp?ID=2189>);
- Documents from and briefings by the Department of Defense in response to formal and informal Congressional requests by this Subcommittee’s Chairman, Ranking Member and bipartisan staff;
- Briefings and reports by the U.S. Government Accountability Office that were co-requested by this Subcommittee’s Chairman and Ranking Member;
- Briefings and reports by the Congressional Research Service;
- Meetings and briefings with leaders and representatives of the Government of Pakistan (and components and sub-components thereof) in Islamabad, Peshawar, Rawalpindi, Karachi, and the Pakistani diplomatic mission to the United States;
- Meetings with representatives from a wide range of Pakistani political parties, including the Pakistan Peoples Party (PPP), Pakistan Muslim League-Nawaz (PML-N), Awami National Party (ANP), Pakistan Muslim League (Quaid-i-Azam) (PML-Q), Muttahida Quami



Movement (MQM), Pakistan Tehreek-e-Insaf (Movement for Justice), the Muttahida Majlis-e-Amal (MMA); and the Balochistan National Movement;

- Meetings and briefings with representatives of components of the executive branch of the U.S. government, including representatives of the U.S. diplomatic mission to Pakistan based in Islamabad, Peshawar, and Karachi; the broader U.S. Department of State; the U.S. Agency for International Development (USAID); and the U.S. Department of Defense (including representatives of the Office of Chief Legislative Liaison, Pakistan desk, Comptroller, U.S. Central Command (CENTCOM), and the Office of Defense Representative – Pakistan (ODRP));
- Consultations with majority staff of the House Foreign Affairs Committee, House Armed Services Committee, Defense Subcommittee of the House Appropriations Committee; and the Senate Foreign Relations Committee; and
- Briefings and meetings with Pakistani and U.S. based journalists, think tanks, academics, non-governmental organizations, and businesses.

### III. VITAL U.S. NATIONAL SECURITY INTERESTS AT STAKE IN PAKISTAN & STRATEGIC DISASTER IN THE FEDERALLY ADMINISTERED TRIBAL AREAS

The United States has manifest national security interests in Pakistan. It is a nuclear-armed nation of over 160 million people located in a strategically central region, nestled between Afghanistan, India, China, Iran, and the Arabian Sea. The terrorist attacks of 9/11 brought Pakistan back into tactical, if not strategic, focus to United States policy-makers.

Throughout the post-9/11 period, the ad hoc, personality-driven relationship between the United States and Pakistan has failed to bring security to the Federally Administered Tribal Areas and other restive areas of western Pakistan. In fact, the United States' most recent National Intelligence Estimate on the subject found these areas providing a safehaven to a regenerated al Qaeda.

According to the 9/11 Commission, “[i]t is hard to overstate the importance of Pakistan in the struggle against Islamist terrorism,”<sup>7</sup> pointing out that “[a]lmost all of the 9/11 attackers traveled the north-south nexus of Kandahar-Quetta-Karachi.”<sup>8</sup> Following tough diplomatic communications regarding consequences for failure to cooperate and offers of a massive package of financial incentives, President Musharraf publicly repudiated Pakistani support for the Taliban regime in Afghanistan and pledged cooperation with United States anti-terrorism efforts. Since that time, the centerpiece of United States financial incentives and support has been Coalition Support Funds, which have constituted over half of the disbursements to Pakistan.<sup>9</sup>

In the following years, Pakistan's government took the political risk of declaring itself an ally in the international counterterrorism efforts led by the United States. Pakistan redeployed forces from the Indian border to engage in intermittent operations in western Pakistan,<sup>10</sup> which has come at great cost in terms of killed and wounded Pakistani soldiers.<sup>11</sup>

On the whole, these Pakistani military efforts have been criticized as ineffective, in large measure because of a lack of counterinsurgency training in the Pakistani Army and a lack of capacity and training of the Pakistani Frontier Corps. According to a recent Congressionally-mandated report submitted by the Secretary of Defense:

The War on Terror has caused Pakistan to engage in a counter-insurgency struggle for which it is ill-suited. The Army has been trained and equipped as a conventional military with a primary focus on fighting a conventional opponent – India. Pakistan's Frontier Corps soldiers are outgunned by their militant

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<sup>7</sup> THE 9/11 COMMISSION REPORT 367 (2004).

<sup>8</sup> *Id.* at 368.

<sup>9</sup> Craig Cohen, *A Perilous Course: U.S. Strategy and Assistance to Pakistan*, Center for Strategic & International Studies (August 2007), at x.

<sup>10</sup> Written Testimony of Mr. Bobby Wilkes, Deputy Assistant Secretary of Defense for Central Asia before the Subcommittee on National Security and Foreign Affairs, Committee on Oversight and Government Reform, U.S. House of Representatives (June 24, 2008), at 7 (“Without CSF reimbursements Pakistan could not afford to deploy and maintain 100,000 military and paramilitary forces in the Federally Administered Tribal Areas.”).

<sup>11</sup> *Id.* at 8 (“In the past five years, Pakistani soldiers have sustained more than 1,400 combat deaths—700 since July 2007—and more than 2,400 wounded in action.”).

opponents. The result of these deficiencies in structure, tactics, doctrine and flexibility is that Pakistan occasionally takes 'tactical pauses' from engagement with the enemy while it reorients for changing targets.<sup>12</sup>

Some have gone further in criticizing these post 9/11 military efforts as counterproductive. For example, a Peshawar-based think tank observes that Pakistani military operations have had the unintended consequence of dismantling many of the limited governing institutions in the FATA.

The move of about 80,000 troops into FATA in 2002 had a negative impact on the system of administration in the tribal agencies...Fighting in tribal areas has resulted in...the rapid loss of administrative and physical control due to military operations. For instance, when the military begins an operation the normal working of the political system of controlling tribes in an agency is damaged. This disjunction prevents mobilization of support for the government and thus plays into the hands of the radicals. Military operations make political administration dysfunctional.<sup>13</sup>

This observation echoes sentiments expressed by leaders of the Awami National Party to the Subcommittee's most recent Congressional delegation to Pakistan. As a result, according to some commentators, local populations have suffered from significant leadership vacuums in the Pakistan's tribal agencies.

Power vacuums have been filled by a resilient cadre of al Qaeda, Pakistani Taliban, Afghan Taliban, smugglers, criminals, militants, and armed tribal factions. Notwithstanding over \$10 billion in foreign assistance and military reimbursements by the United States – of which over 50 percent are Coalition Support Funds and some 75 percent relate to military and security funding<sup>14</sup> – al Qaeda has been able to regenerate its transnational terrorist attack capability in a safehaven in Pakistan's Federally Administered Tribal Areas.

A series of post-9/11 reports have documented western Pakistan's descent. In December 2005, the 9/11 Commission's Public Discourse Project noted that "Taliban forces still pass freely across the Pakistan-Afghanistan border and operate in Pakistani tribal areas."<sup>15</sup> In April 2007, the United States Department of State concluded that "Pakistan remains a major source of Islamic extremism and a safe haven for some top terrorist leaders."<sup>16</sup> In July 2007, the National Intelligence Estimate announced that al Qaeda had "protected or regenerated key elements of its Homeland attack capability," including "a safehaven in the Pakistan Federally Administered Tribal Areas."<sup>17</sup>

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<sup>12</sup> *Report in Response to Section 1232(A) of the National Defense Authorization Act of Fiscal Year 2008.*

<sup>13</sup> Khalid Aziz, *Extending Stability to Pakistani Tribal Areas*, Regional Institute of Policy Research & Training Peshawar (RIPORT) (2008), at 4.

<sup>14</sup> See, e.g., *Country Reports on Terrorism*, U.S. Department of State (Apr. 30, 2008), at 215; Alan Kronstadt, *CRS Report for Congress: Pakistan-U.S. Relations*, Congressional Research Service (Aug. 25, 2008), at 26..

<sup>15</sup> *Final Report on 9/11 Commission Recommendations*, 9/11 Public Discourse Project (Dec. 5, 2005).

<sup>16</sup> *Country Reports on Terrorism*, U.S. Department of State (Apr. 30, 2007), at 120.

<sup>17</sup> *The Terrorist Threat to the U.S. Homeland*, National Intelligence Estimate (Jul. 2007).

According to an April 2008 Government Accountability Office report co-requested by this Subcommittee, the "United States has not met its national security goals to destroy terrorist threats and close safe havens in Pakistan's FATA."<sup>18</sup> This safe haven has significant consequences for U.S. national security interests and global stability. It provides:

al Qaeda with many of the same advantages it had when it was based across the border in Afghanistan. According to the assessment, the safe haven in the FATA serves as a staging area for al Qaeda's attacks in support of the Taliban in Afghanistan. Further, it serves as a location for training new terrorist operatives for attacks in Pakistan, the Middle East, Africa, Europe, and the United States.<sup>19</sup>

Most recently, the State Department notes that "[d]espite having approximately 80,000 to 100,000 troops in the FATA, including Army and Frontier Corps units, the Government of Pakistan's authority in the area continued to be challenged."<sup>20</sup> It further reaffirmed the finding that, during 2007, "the Federally Administered Tribal Areas (FATA) of Pakistan were being used as a safe haven for [al Qaeda] terrorists, Afghan insurgents, and other extremists."<sup>21</sup>

There has been a recent increase in the operational tempo of Pakistani military operations. There has also been an increase in public reports of cross-border strikes by United States predator drones and special forces. Overt United States military activity on Pakistani soil has caused a storm of controversy in Pakistan, prompting last week's report that the Pakistan has ordered its military to fire on United States forces if they enter Pakistan,<sup>22</sup> and this week's report that the Pakistani military has done so.<sup>23</sup>

In addition, Islamabad is reeling from this weekend's terrorist bombing of the Marriott hotel in which scores were killed and wounded.<sup>24</sup> It remains to be seen what effect increased combat activity will have on the disturbing overall trends in Pakistan's troubled western regions. Of perhaps greater import, it remains to be seen how tension over United States incursion into Pakistani territory and the Marriott bombing will affect bilateral relations.<sup>25</sup>

International terrorist plots continue to reveal links to this festering region. The 2005 London subway terrorist bombings involved at least one British national trained in a Pakistani

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<sup>18</sup> *The United States Lacks Comprehensive Plan to Destroy the Terrorist Threat and Close the Safe Haven in Pakistan's Federally Administered Tribal Areas*, U.S. Government Accountability Office (Apr. 2008), at 3.

<sup>19</sup> *Id.* at 10.

<sup>20</sup> *Country Reports on Terrorism*, U.S. Department of State (Apr. 30, 2008), at 137.

<sup>21</sup> *Id.* at 128.

<sup>22</sup> Stephen Graham, *Pakistan Orders Troops to Open Fire if US Raids*, ASSOC. PRESS (Sept. 16, 2008) ("Pakistan's military has ordered its forces to open fire if U.S. troops launch another air or ground raid across the Afghan border, an army spokesman said Tuesday.")

<sup>23</sup> Ishtiaq Mahsud, *Pakistani Troops Reportedly Fire on US Helicopters*, ASSOC. PRESS (Sept. 22, 2008).

<sup>24</sup> Salman Masood, *More Bodies Pulled From Hotel Rubble in Pakistan*, N.Y. TIMES (Sept. 22, 2008).

<sup>25</sup> Salman Masood, *Pakistan Chief Pressured on Response*, N.Y. TIMES (Sept. 23, 2008) ("Mr. Zardari faces pressure to avoid doing the bidding of the Bush administration because Pakistanis are largely opposed to American policies in the region. That sentiment grew after reports that American Special Operations forces had entered Pakistan early this month.")

madrassa.<sup>26</sup> In 2007, terrorists were convicted in the United Kingdom in a conspiracy to conduct an attack there with fertilizer-based bombs.<sup>27</sup> Five of the seven men tried attended either madrassas or training camps in Pakistan.<sup>28</sup>

The 9/11 Commission urged the United States government to “support Pakistan’s government in its struggle against extremists with a *comprehensive* effort that extends from military aid to support for better education, so long as Pakistan’s leaders remain willing to make difficult choices of their own.”<sup>29</sup> The Government Accountability Office maintains that, as recently as April 2008, that the United States still lacks a comprehensive plan.<sup>30</sup>

The Coalition Support Funds program encapsulates much of what is currently problematic about the U.S.’s ad hoc policies when it comes to securing our national security interests in Pakistan, and subsequent chapters of this report will analyze Coalition Support Funds from perspectives of efficacy, accountability, and diplomatic complications. By the metrics that ought to matter most from the United States perspective – success at defeating al Qaeda and dismantling the Taliban – United States efforts to date have amounted to costly, strategic failure. Coalition Support Funds, as the backbone of United States security activities, deserve strict scrutiny.

#### IV. OVERVIEW & HISTORY OF COALITION SUPPORT FUNDS IN PAKISTAN

##### A. COALITION SUPPORT FUNDS: A PRIMER

Coalition Support Funds are a post-9/11 program that has been funded outside established means of providing assistance to other countries and, all but once, outside the normal appropriations process. The precursor of the Coalition Support Fund program emerged in the weeks after September 11, 2001, as a way to quickly pay countries for services and logistical expenses leading up to the invasion of Afghanistan.

The program first obtained funding during the August 2002 Emergency Supplemental Appropriations bill. It is appropriated as a lump sum for the Defense Department to dole out to those coalition partners it sees fit, although Pakistan, over the years, has received over 80 percent

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<sup>26</sup> Craig Whitlock, *Al-Qaeda Masters Terrorism On the Cheap*, WASH. POST (Aug. 24, 2008) (citing that “the cell responsible for the July 7, 2005, transit bombings in London needed only about \$15,000 to finance the entire conspiracy, including the cost of airfare to Pakistan to consult with al-Qaeda supervisors, according to official British government probes”).

<sup>27</sup> Alyssa Ayres, *Regional Terror Goes Global*, WALL ST. JOURNAL (Aug. 18, 2006).

<sup>28</sup> Paul Watson & Mubashir Zaidi, *7 British Terror Suspects Also Pakistani Citizens*, L.A. TIMES (Aug. 19, 2006) (noting that at least seven of those arrested had dual citizenship and made frequent trips to Pakistan to learn to make explosives and detonators).

<sup>29</sup> THE 9/11 COMMISSION REPORT 369 (2004) (emphasis added).

<sup>30</sup> See generally *The United States Lacks Comprehensive Plan to Destroy the Terrorist Threat and Close the Safe Haven in Pakistan’s Federally Administered Tribal Areas*, U.S. Government Accountability Office (Apr. 2008). There are, however, some new initiatives jointly planned by the United States and Pakistan governments that hold promise as efforts to combine ‘soft’ development assistance power, governance reform, and ‘hard’ military power in an effort to solve the strategic crisis in western Pakistan. Such plans will be briefly outlined elsewhere in this report.

of all the funding.<sup>31</sup> The program has largely remained the same since its inception and has always, save once, been funded through the emergency supplemental appropriations process.

As specified in the emergency funding bills since 9/11, Coalition Support Funds are appropriated to reimburse coalition countries for logistical, military, and other support provided to United States military operations in the global war on terror. In Pakistan, where approximately \$6.3 billion has been expended through September 2008, Coalition Support Funds have been used in an effort to encourage the government of Pakistan to disrupt terrorist networks in the Federally Administered Tribal Areas and other areas near the border between Pakistan and Afghanistan.

In 2003, the Department of Defense justified the Coalition Support Funds program by noting:

[P]rograms for supporting our coalition partners...enable[] coalition partners to participate in U.S. operations and conduct counterterrorist operations when they otherwise lack the financial means to do so. Their participation reduces the stress on U.S. forces operating in the war on terror.... Previous funding supported Pakistan's major border operations along the Pakistan-Afghanistan border that have significantly impacted terrorist networks in the region, thus achieving a level of success that would be difficult for U.S. Armed Forces to attain and leading to a more stable border area.<sup>32</sup>

It also suggested that:

Failure to fully fund [Coalition Support Funds] would jeopardize the support of important partners like Pakistan and Jordan who conduct key border operations, could minimize participation by needy coalition partners and thus require increased U.S. forces to assume additional responsibility adversely impacting U.S. deployment and redeployment schedules, and would require the U.S. to carry the responsibility of conducting counterterrorist operations globally.<sup>33</sup>

## **B. COALITION SUPPORT FUNDS: LEGISLATIVE AUTHORITY**

Coalition Support Funds have generally bypassed the normal appropriations cycle through emergency supplemental appropriations bills devoted to post-9/11 counterterrorism measures. For example, the operative language governing Coalition Support Funds at the inception of the program for Fiscal Year (FY) 2002, states:

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<sup>31</sup> Written Testimony of Bobby Wilkes, Deputy Assistant Secretary of Defense for Central Asia, before the Subcommittee on National Security and Foreign Affairs, Committee on Oversight and Government Reform, U.S. House of Representatives (June 24, 2008), at 7 (stating that "[s]ince 2002 Congress has appropriated \$7.3B for the entire CSF program and Pakistan has been the largest single recipient, receiving approximately \$6B in reimbursements following a \$373M reimbursement this week").

<sup>32</sup> Department of Defense, Defense Security Cooperation Agency, Global War on Terror (GWOT)/Regional War on Terror (RWOT), Operations and Maintenance, Defense Wide, Budget Activity 04, Administrative and Service-Wide Activities, at DSCA-67.

<sup>33</sup> *Id.*

...\$390,000,000 may be used, notwithstanding any other provision of law, for payments to reimburse Pakistan, Jordan, and other key cooperating nations for logistical and military support provided to United States military operations in connection with the Global War on Terrorism: *Provided*, That such payments may be made in such amounts as the Secretary [of Defense] may determine in his discretion, based on documentation determined by the Secretary to adequately account for the support provided, in consultation with the Director of the Office of Management of Budget and 15 days following notification to the appropriate Congressional committees: *Provided further*, That such determination shall be final and conclusive upon the accounting officers of the United States: *Provided further*, That amounts for such payments shall be in addition to any other funds that may be available for such purpose: *Provided further*, That the entire amount is designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1895, as amended.<sup>34</sup>

Thus, this language authorizes the Secretary of Defense to reimburse coalition partners for logistical and military support provided to U.S. military operations in consultation with the Office of Management and Budget and after notification of appropriate Congressional committees. The “notwithstanding any other provision of law” language exempts this program from otherwise applicable restrictions and procedures, providing maximum flexibility to the Defense Department. It is also important to note that these funds, by being designated as “an emergency requirement,” bypass procedures designed to rationalize macro-budgeting decisions.

In FY 2003, the emergency supplemental appropriations authorized \$1.4 billion for Coalition Support Funds. The appropriations language was altered to include: (1) a requirement that the Secretary of State concur with the determination of the Secretary of Defense, (2) a requirement that the Secretary of Defense submit a written report to the appropriations committees outlining the financial plan for the obligation and expenditure of the funds, (3) a requirement that the Secretary of Defense submit written reports on the uses of funds made available on a quarterly basis.<sup>35</sup> The law also increased the mandate of the program by broadening the language to authorize reimbursement for “logistical and military support provided, *or to be provided*, to United States military operations in connection with military action *in Iraq* and the global war on terrorism.”<sup>36</sup>

Legislative language governing Coalition Support Funds for FY 2004 (appropriating \$1.15 billion),<sup>37</sup> FY 2005 (appropriating \$1.22 billion),<sup>38</sup> FY 2006 (appropriating \$935 million in

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<sup>34</sup> FY 2002 Emergency Supplemental, Pub. L. 107-206 (Aug. 2, 2002).

<sup>35</sup> FY 2003 Emergency Supplemental, Sec. 1310, Pub. L. 108-11 (Apr. 16, 2003).

<sup>36</sup> *Id.* (emphasis added). One questions whether authorization for “reimburse” (a past activity) a country for support that is “to be provided” (a future expectation).

<sup>37</sup> FY 2004 Emergency Supplemental, Pub. L. 108-106 (Nov. 6, 2003).

<sup>38</sup> FY 2005 Emergency Supplemental, Pub. L. 109-13 (May 11, 2005). Interestingly, this iteration of the Coalition Support Funds program deleted the limitations to support in connection with military action in Iraq and the global war on terrorism, leaving it authority to expend funds for support “provided, or to be provided, to United States military operations,” period. *Id.* In addition, this was the first time the language broadened to include authorized appropriations

aggregate),<sup>39</sup> FY 2007 (appropriating \$1.1 billion in aggregate),<sup>40</sup> and FY 2008 (appropriating \$1.1 billion),<sup>41</sup> generally tracks the earlier language. For the period from October 2001 through September 2008, the United States has paid Pakistan approximately \$6.3 billion in Coalition Support Funds.<sup>42</sup>

TABLE: COALITION SUPPORT FUNDS APPROPRIATIONS		
Fiscal Year (FY)	Amount Appropriated	Funding Vehicle(s) (Date Appropriated)
FY 2002	\$390,000,000.00	Emergency Supplemental (August 2, 2002)
FY 2003	\$1,400,000,000.00	Emergency Supplemental (April 16, 2003)
FY 2004	\$1,150,000,000.00	Emergency Supplemental (November 6, 2003)
FY 2005	\$1,220,000,000.00	Emergency Supplemental (May 11, 2005)
FY 2006	\$195,000,000.00 \$740,000,000.00	Bridge Supplemental (December 30, 2005) Emergency Supplemental (June 15, 2006)
FY 2007	\$900,000,000.00 \$200,000,000.00	Appropriations Act (Title IX) (September 29, 2006) Emergency Supplemental (May 27, 2006)
FY 2008	\$300,000,000.00 \$800,000,000.00	Consolidated Appropriations Act (December 26, 2007) Supplemental Appropriations Act (June 30, 2008)
<b>FY 2009</b>	\$200,000,000.00	Supplemental Appropriations Act (June 30, 2008)
<b>TOTAL</b>	<b>\$7,495,000,000.00</b>	

### C. COALITION SUPPORT FUNDS: THE PROCESS

The process for a country to obtain Coalition Support Funds begins when it submits an invoice to the appropriate Department of Defense representative at the local U.S. Embassy. In Pakistan, invoiced claims are submitted to the Office of the Defense Representative-Pakistan (ODRP). Then, the following language of a legally-mandated notification to Congress illustrates the Department of Defense's characterization of its claims review process:

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for reimbursement for "logistical, military, and other support" provided to U.S. military operations. *Id.* (emphasis added).

<sup>39</sup> FY 2006 Bridge Supplemental, Pub. L. 109-148 (Dec. 20 2005) (appropriating \$195 million for Coalition Support Funds); FY 2006 Emergency Supplemental, Pub. L. 109-234 (Jun. 15, 2006) (appropriating \$740 million Coalition Support Funds).

<sup>40</sup> FY 2007 Appropriations Act, (Title IX), Pub. L. 109-289 (Sept. 29, 2006) (appropriating \$900 million); FY 2007 Emergency Supplemental, Pub. L. 110-28 (May 25, 2007) (appropriating \$200 million).

<sup>41</sup> FY 2008 Consolidated Appropriations Act, Defense, Pub. L. 110-161 (Dec. 26, 2007); FY 2008 Supplemental Appropriations Act, Pub. L. 110-252 (June 20, 2008).

<sup>42</sup> Charles Michael Johnson, *Preliminary Observations on the Use and Oversight of Coalition Support Funds (CSF) to Pakistan*, U.S. Government Accountability Office (May 6, 2008), at 2. This information was also informed by a briefing with Administration officials during September 2008.



The Department of Defense used a three-step process to evaluate Pakistan's claimed costs. First, the U.S. Embassy in Islamabad forwarded the Government of Pakistan's claimed costs for the support provided. Then, the U.S. Central Command verified the type and level of Pakistan's support. Finally, following U.S. Central Command's review, Department of Defense analysts determined the claimed costs were credible and reasonable for the types of services provided. Upon completion of the Department of Defense review, the package was coordinated with the Department of State and the Office of Management and Budget.<sup>43</sup>

This representation comports with the briefings the Subcommittee staff has received from the Department of Defense and the Government Accountability Office's observation of the Department of Defense review procedures:

In performing oversight, ODRP reviews the Pakistani claims and indicates that to the best of their knowledge military support was provided and expenses were actually incurred. U.S. Central Command (CENTCOM) then validates that Pakistani operations listed were essential to support U.S. military operations in theater. The claims are sent to the Office of the Secretary of Defense Comptroller, who (1) performs a macro-level review comparing the cost to similar operations, and (2) assesses whether the cost categories are reasonable, selected subcategories are reasonable compared to U.S. costs, and costs are consistent with previous claims. In addition, both the Undersecretary of Defense for Policy and the State Department verify that the reimbursement is consistent with the U.S. government's National Security Strategy, and that the CSF payment does not adversely impact the balance of power in the region.<sup>44</sup>

The Defense attachés, the most significant of which is the Office of Defense Representative Pakistan, are the first link in the chain to receive claims for reimbursement. The original December 2003 Department of Defense guidance to these embassy components focused mostly on the categories of acceptable reimbursable support (i.e., "strategic transportation," related force protection, and "sustainment costs" like food, water, lodging, laundry, waste removal, base operations support, petroleum, medical consumables, inoculations, and planning conferences).<sup>45</sup> It also listed several categories that are not reimbursable, including salaries, hazard pay, insurance, spare parts, or depreciations costs.<sup>46</sup> The original guidance produced to the Subcommittee does not impose any verification responsibility on the part of the Defense attachés, beyond outlining the general information requirements for the coalition countries' invoices before transmittal to the combatant commanders.<sup>47</sup>

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<sup>43</sup> Letter from Deputy Secretary of Defense Paul Wolfowitz to Chairman John W. Warner, Senate Armed Service Committee (Feb. 29, 2004). This language generally tracks the language in other Congressional notifications.

<sup>44</sup> Charles Michael Johnson, *Preliminary Observations on the Use and Oversight of Coalition Support Funds (CSF) to Pakistan*, U.S. Government Accountability Office (May 6, 2008), at 2-3.

<sup>45</sup> Guidance to Defense Attaches [sic], Office of Defense Cooperation Personnel, Desk Officers (Dec. 2003).

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

Under Department of Defense original guidance, the U.S. Central Command “evaluates the claim and recommends reimbursement of those items they deem reasonable and supportable and validates that the support was provided in connection with U.S. military operations.”<sup>48</sup> More specific guidance required the combatant commander to validate “that the support/service was provided,” and confirm “that the costs incurred are incremental, i.e. that the costs are based on the U.S. requirement and would not otherwise have been incurred by the country representing reimbursement.”<sup>49</sup> In the December 2003 guidance provided to the Subcommittee, there is no discussion of how combatant commands are expected to “verify” such costs.

In a December 8, 2003 memorandum for the Deputy Comptroller, Undersecretary of Defense Dov S. Zakheim issued new internal Department of Defense guidance in response to analysis from the Department of Defense Office of the Inspector General. He expressed the need to:

fulfill our fiduciary obligation by ensuring claims for reimbursement of costs incurred are reasonable before we authorize payment. Your office is responsible for evaluating the reasonableness of each reimbursement request. Recently, the Office of Inspector General, Department of Defense (OIG, DoD), opined that the Department needs to improve its process for *documenting* its evaluation of reimbursement requests.<sup>50</sup>

The guidance attached by Undersecretary Zakheim required the Deputy Comptroller to: (1) compare, at a macro level, claimed costs to the United States to provide the same support, (2) evaluate the reasonableness of the individual categories for which reimbursement is requested, (3) compare, where possible, representative U.S. costs for a subset of items, and (4) assess whether the claimed costs are consistent with previous reimbursements.<sup>51</sup>

On June 19, 2008, in response to increased Congressional oversight, including the efforts of this Subcommittee, as well as increased scrutiny of claims at the U.S. Embassy in Islamabad following the arrival of new personnel in key positions, Tina W. Jones, the Undersecretary of Defense (Comptroller) issued another round of “Guidance on Use of Coalition Support Funds (CSF).”<sup>52</sup> This guidance reiterates the Department’s commitment to meet “its fiduciary obligation” in managing the program, and provides significantly greater detail to combatant commands and U.S. Embassies’ senior defense representatives in terms of the documentation required to be provided by countries claiming reimbursement to support those claims.<sup>53</sup>

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<sup>48</sup> *Department of Defense Coalition Support Funds* (Feb. 13, 2008).

<sup>49</sup> Memorandum from Dov S. Zakheim to the Commander, U.S. Central Command, Commander, U.S. European Command, et al. (Dec. 8, 2003), Attachment at 2.

<sup>50</sup> *Id.* at 1 (emphasis in original). Undersecretary Zakheim’s letter appears to refer to a classified report by the Department of Defense’s Office of the Inspector General, DOD IG Report: D-2004-045 on Coalition Support Funds, that was ultimately finalized on January 16, 2004.

<sup>51</sup> Guidelines for Evaluating Reimbursement Requests from Key Cooperating Countries for Costs Incurred in Support of U.S. Forces in the Global War on Terrorism (Dec. 8, 2003).

<sup>52</sup> Memorandum from Tina W. Jones to the Commander, U.S. Central Command, Commander, U.S. European Command, et al. (June 19, 2008).

<sup>53</sup> *See id.* (accompanying attachment).

The guidance also requires revised obligations at several levels of the review process, including: (1) certification from the appropriate coalition country representative that “all costs included in the claim were expended in support of U.S. military operations” and a statement that the claim “includes best available financial data on costs”;<sup>54</sup> (2) certification from the designated U.S. Embassy official that “to the best of the Embassy’s knowledge, information, and belief the country incurred the costs and provided the support” claimed;<sup>55</sup> and explanations for cost variances of greater than 10% from historical reimbursement patterns.<sup>56</sup>

Moreover, the Defense Department Comptroller is in the process of creating a new claims submission form that will explicitly call for required categories of documentation. In addition, the Defense Department and U.S. Central Command have committed to biannual meetings with Pakistani military officials to address issues related to Coalition Support Funds.

This latest round of increased accountability by the Defense Department is a welcome development and should help to shape coalition allies’ expectations, enhance the ability of third-parties to audit the paper trail of the program, and reinforce the obligation of financial stewardship of taxpayer funds throughout the government. However, the basic Coalition Support Funds structure and process, as discussed more fully below, remains seriously flawed.

## **V. COALITION SUPPORT FUNDS: QUESTIONS OF ACCOUNTABILITY, EFFECTIVENESS, AND DIPLOMATIC STRATEGY**

Originally envisioned as a short-term, stop-gap measure,<sup>57</sup> Coalition Support Funds raise questions of expense, accountability, and effectiveness of a program that carries diplomatic baggage complicating the long-term strength of the United States-Pakistan relationship.

### **A. COALITION SUPPORT FUNDS: QUESTIONS OF ACCOUNTABILITY**

The Coalition Support Funds program was envisioned as an ad-hoc, short-term, emergency method of paying for services in support of U.S. war efforts and was explicitly created outside of any existing program or accountability measures. It would appear that, with respect to accountability, the Defense Department has been playing catch-up ever sense.

During the course of this investigation, the Subcommittee took testimony, received information, and reviewed documents related to the reliability of invoices submitted by the Pakistani military and the ability of United States officials’ ability to verify these claims. For example, the United States has been repeatedly invoiced for medical evacuation costs for the Pakistan Army and Frontier Corps, while Frontier Corps’ leadership has suggested its units have not received the medical support on the battlefield.<sup>58</sup> In another instance, the United States was invoiced for

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<sup>54</sup> *Id.*, Attachment at 3.

<sup>55</sup> *Id.*, Attachment at 5.

<sup>56</sup> *Id.*, Attachment at 3, 6.

<sup>57</sup> This characterization was communicated to a Subcommittee-sponsored delegation during a meeting at the U.S. Embassy in Islamabad, Pakistan.

<sup>58</sup> *Id.*

helicopter maintenance in an amount that, United States military officials later learned, vastly outstripped *the entire budget* of the relevant Pakistani air wing component.<sup>59</sup>

In December 2007, the *New York Times* published a significant investigative article quoting unnamed Bush Administration and military officials that the Coalition Support Funds program is rife with waste.<sup>60</sup> The article cites United States military officials in their concern that Coalition Support Funds are not reaching the front line Pakistani soldiers in need, with vast amounts being siphoned off for other purposes.<sup>61</sup>

Another report – this one by *The Guardian* – details allegations that “as much as 70%” of the then-over \$5 billion in Coalition Support Funds claimed by Pakistan had not been for legitimate expenditures.<sup>62</sup> The Subcommittee has not found evidence of waste, fraud, or abuse rising to the level suggested by *The Guardian*. However, anecdotal evidence, coupled with the Government Accountability Office reporting on lack of documentation, leaves matters in doubt.

Coalition Support Funds are paid directly into the Pakistan government’s treasury and become sovereign funds for which the United States is not able to determine final destination or application of Coalition Support Funds reimbursements.<sup>63</sup> Internal Department of Defense guidance notes that the “Department does not track how countries spend the reimbursements.”<sup>64</sup> A senior United States military official told a Subcommittee-sponsored Congressional delegation that he believed approximately 40 percent to 50 percent of the Coalition Support Funds have not reached the military components that provided the services rendered, and instead have been used for other Pakistani government priorities such as food and energy subsidies.<sup>65</sup>

The Coalition Support Funds program is structured to provide reimbursements to countries that have provided the United States support for military efforts in Operation Enduring Freedom and Operation Iraqi Freedom. Department of Defense officials with whom the Subcommittee has met maintain that Coalition Support Funds function as a “reimbursement,” and emphasize the distinction between “aid” and “reimbursements.” As a corollary, these officials have stated that United States oversight interests and responsibilities end once payment is made due to the backward looking nature of a “reimbursement.”

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<sup>59</sup> *Id.*; see also Testimony of Deputy Assistant Secretary of Defense, Bobby Wilkes, before the Subcommittee on National Security and Foreign Affairs, Committee on Oversight and Government Reform, U.S. House of Representatives (June 24, 2008) (noting during a colloquy about helicopter maintenance: “[t]hat is a problem, and we agree”).

<sup>60</sup> David Rohde, Carlotta Gall, *et al.*, *U.S. Officials See Waste in Billions Sent to Pakistan*, N.Y. TIMES (Dec. 24, 2007).

<sup>61</sup> *Id.*

<sup>62</sup> *Up to 70% of US Aid to Pakistan ‘Misspent’*, THE GUARDIAN (Feb. 27, 2008).

<sup>63</sup> See Charles Michael Johnson, *Preliminary Observations on the Use and Oversight of Coalition Support Funds (CSF) to Pakistan*, U.S. Government Accountability Office (May 6, 2008), Attached Briefing Slides at 13 (“After reimbursement to Pakistan for prior expenditures there is no requirement for further oversight of these funds by the U.S. government.”).

<sup>64</sup> *Department of Defense Coalition Support Funds* (Feb. 13, 2008).

<sup>65</sup> This official speculates that the money may be being used for non-military programs such as energy and food subsidies but that, in fact, the United States does not have the mechanisms in place to determine Pakistan’s final allocation of Coalition Support Funds reimbursements.

However, if reimbursements have been provided by the U.S. government to Pakistan for helicopter maintenance, the United States has a residual interest in ensuring the flow of money is used for this purpose after payment. If the money is not flowing back to the Pakistani air wing unit at issue but another invoice comes back in suggesting that maintenance has been performed when in fact it has not, there seems to be an important oversight interest in the flow of money back to that unit. Of great importance is the need for military assets critical to counterinsurgency and counterterrorism operations, like helicopters, to be available whenever needed.

As set forth above in the Department of Defense's guidance on reimbursement of funds, none of the required oversight analysis is designed to test the veracity of the invoiced costs at a granular level. The relatively limited staffing of the Office of Defense Representative-Pakistan<sup>66</sup> and the nature of the military-to-military relationship as constituted under this program render it virtually impossible to test the veracity of invoices, *e.g.*, whether maintenance was performed, whether medical evacuation missions were flown, or whether ammunition was expended. Instead, the three-step oversight process undertaken by the Department of Defense has been an arms-length review of categories of payment and comparative cost analyses.

The difficulty of information verification was confirmed during June 24, 2008 testimony by Deputy Assistant Secretary of Defense for Central Asia Bobby Wilkes before the Subcommittee:

As you know, the access to Pakistan is controlled by the government, and not having U.S. troops there or access to some of this stuff – and we don't have access in the FATA – creates an issue for us in looking at it and verifying and validating.<sup>67</sup>

The United States simply does not have an arrangement that provides verification access sufficient to provide confidence in the program. It remains to be seen whether Pakistan's civilian government is able to direct its military establishment to provide greater transparency in terms of budgets and expenditures, or whether new Defense Department program guidance and administrative activity produces greater verification access.

There have also been reports of a shockingly cavalier attitude expressed by Administration officials about accounting accuracy in the spending of taxpayer funds on Coalition Support Funds. For example, a February 2008 article in the *Washington Post* quoted an unnamed "U.S. official familiar with past U.S. payments" as saying:

Padding? Sure. Let's be honest, we're talking about Pakistan, which has a legacy of corruption...But if they're billing us \$5 billion and it's worth only \$4 billion, the question is whether it's worth nickel-and-diming it if it's such a top national security objective. If it's in the ballpark, does the bigger picture call for continuing on with a

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<sup>66</sup> According to Defense Department officials, the ODRP office is currently being increase from approximately 40 to approximately 50 personnel.

<sup>67</sup> See Testimony of Deputy Assistant Secretary of Defense, Bobby Wilkes, before the Subcommittee on National Security and Foreign Affairs, Committee on Oversight and Government Reform, U.S. House of Representatives (June 24, 2008).

process that does generate significant progress in the war on terror? They do get their hands on people we can't.<sup>68</sup>

The characterization of a hypothetical \$1 billion dollar overcharge to United States taxpayers as "nickel-and-diming" should prompt great concern. The United States government is the steward of taxpayer funds and the United States government needs to establish financial relationships that comport with acceptable accountability practices.

As noted by one commentator:

The current system of simply cutting checks for whatever bills are presented monthly by Islamabad as the costs borne for counterterrorism support engenders institutional corruption in the Pakistani military, destroys the integrity of the U.S. assistance program, and is unfair to the U.S. taxpayer. The current accounting practices used by the Pakistani military to justify its routine demands for reimbursement border on daylight robbery and would never pass muster in any serious oversight and auditing system.<sup>69</sup>

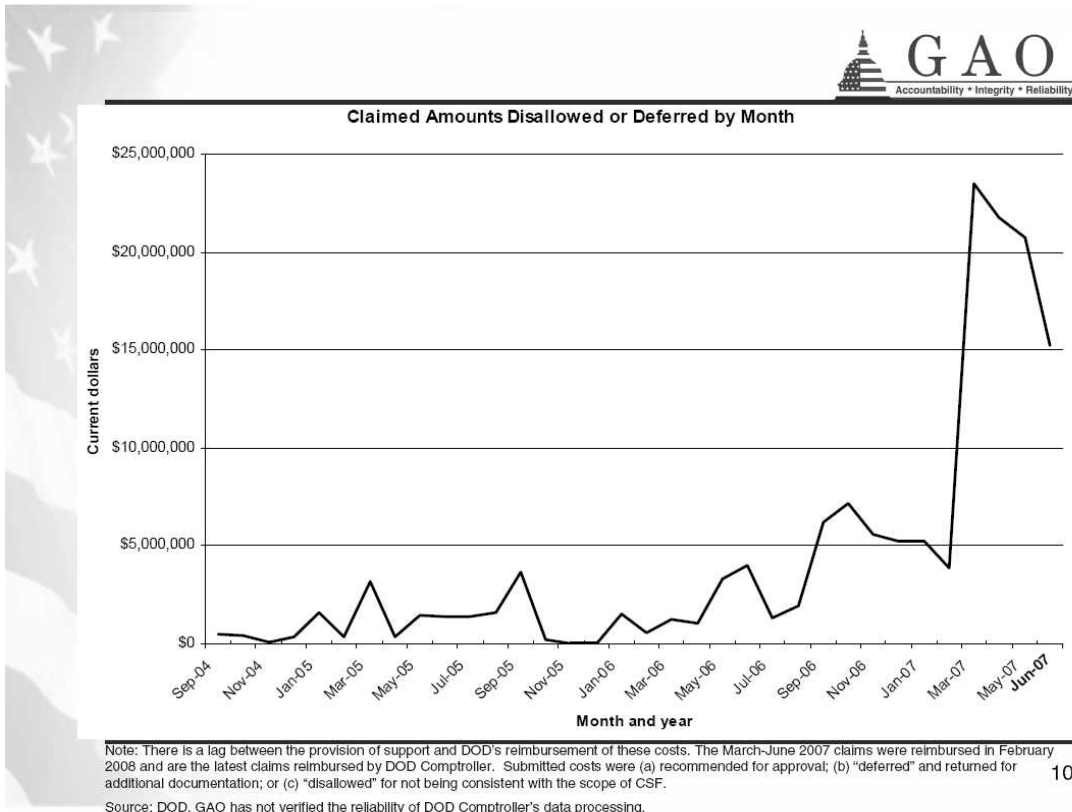
It should be noted – and in many ways is an acknowledgement of the accountability shortcomings of the past – that the Office of Defense Representative-Pakistan and other Department of Defense components began disallowing or deferring many additional claims since July 2007 and have now implemented more robust program administration guidance in June 2008. Based on the chart below, the Government Accountability Office notes that "[i]n recent months, Defense has disallowed or deferred a significantly greater amount of CSF reimbursement claims from Pakistan."<sup>70</sup>

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<sup>68</sup> Robin Wright, *U.S. Payments to Pakistan Face New Scrutiny*, WASH. POST (Feb. 21, 2008).

<sup>69</sup> Ashley J. Tellis, *Pakistan and the War on Terror: Conflicted Goals, Compromised Performance*, Carnegie Endowment for International Peace (2008), at 44. As a caveat, this commentary was written prior to the new Defense Department program guidance and recent meetings with the Pakistani military.

<sup>70</sup> Charles Michael Johnson, *Preliminary Observations on the Use and Oversight of Coalition Support Funds (CSF) to Pakistan*, U.S. Government Accountability Office (May 6, 2008), at 4 (footnotes omitted).



**B. COALITION SUPPORT FUNDS: QUESTIONS OF EFFECTIVENESS**

Over seven years have passed since Al Qaeda's 9/11 terrorist attacks prompted the United States to invade Afghanistan to root out Al Qaeda leadership, neutralize Al Qaeda's operational capability, and dislodge their Taliban patrons from power. Yet, Al Qaeda and their Pakistani and Afghan Taliban allies have been able to regroup in the western portions of Pakistan, most notably within the Federally Administered Tribal Areas.

During this seven-year period, the United States has relied primarily on Coalition Support Funds for reimbursements to the Pakistani military to undertake operations against militants, terrorists, and extremists on Pakistani soil. During that period, the United States has failed to achieve the vital national security objectives of capturing or killing Osama bin Laden and most of his most senior leaders, lessening the number of cross-border attacks on United States and NATO forces in Afghanistan, or removing terrorist and militant safe havens in western Pakistan.

The U.S. Embassy country team briefing to this Subcommittee's March 2008 Congressional delegation acknowledged that the military campaign in FATA has not eliminated extremist recruitment, training or operations and that the various peace agreements entered into were not effective.

During the period of the North and South Waziristan accords, "Pakistan received about \$80 million a month in 2006 and 2007 for military operations during cease-fires with pro-Taliban tribal elders along the border, including a 10-month truce in which troops returned to their

barracks.<sup>71</sup> This led one commentator to note that the “payments continue to flow whether or not Pakistani forces come out of their barracks in Afghan border areas during a given month.”<sup>72</sup> Deputy Assistant Secretary of Defense Wilkes confirmed during his testimony before this Subcommittee facts demonstrating that the key to reimbursement under the program is redeployment of Pakistani forces to the theater of conflict rather than participation in actual kinetic operations.<sup>73</sup>

The various iterations of guidance issued by the Comptroller of the Department of Defense, set forth in a previous section of this report, demonstrate how this phenomenon is possible. Consider the following hypothetical:

For a given month, Pakistan invoiced  $X$  dollars for housing  $Y$  number of troops near the tribal areas and theater of potential conflict.

A macro-level cost comparison would conduct the following type of analysis:

It would have cost the United States  $5X$  to house  $Y$  number of troops for that same period, therefore this is a cost-saving expenditure.

Analysis of the reasonableness of a cost category would ask the following type of question:

Is housing troops a reasonable category of cost? Yes, troops need to be housed, and here they were housed in an area that put them in position to conduct the kind of operations the United States would like to see in the restive tribal region. Furthermore, housing is an appropriate category of reimbursable expense under the Coalition Support Funds program.

Analysis of whether the historical bills are consistent with previous reimbursements would render the following type of inquiry:

Is this invoice for housing consistent with Pakistan’s previous invoices for housing? Yes, therefore, nothing in this invoiced item should raise a red flag.

The problems with this analytical process, as it pertains to operational tempo, become clear. Nothing in such comptroller-level analysis factors-in whether the Pakistani military actually did incur expenses in support of United States combat operations during the payment period at issue. While there are requirements that U.S. Central Command verify, to the extent possible, that operations are taking place, that review is not sensitive to the type of cease-fires produced during the Waziristan accords. Furthermore, the categories of costs that are reimbursable with Coalition

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<sup>71</sup> Robin Wright, *U.S. Payments to Pakistan Face New Scrutiny*, WASH. POST (Feb. 21, 2008).

<sup>72</sup> Selig S. Harrison, *Pressuring Pakistan to Curb the Taliban*, BOSTON GLOBE (Feb. 19, 2007).

<sup>73</sup> See Testimony of Deputy Assistant Secretary of Defense, Bobby Wilkes, before the Subcommittee on National Security and Foreign Affairs, Committee on Oversight and Government Reform, U.S. House of Representatives (June 24, 2008) (noting that the movement of Pakistani forces from the Indian border to the theater of counterterrorism, alone, justified reimbursement qualification: “We couldn’t control the level or the numbers of troops that were put in there. That is a Pakistani government call. But the fact that they moved in there is something they weren’t doing before, so therefore should be considered an incremental increase in their normal operating costs.”).



Support Funds (e.g., food and housing) tend to be fixed costs rather than those costs that would likely vary based on operational tempo (e.g., ammunition and fuel).

This hypothetical explains why the Government Accountability Office observed that Coalition Support Funds “in current form is strictly a reimbursement program with little or no U.S. direction over funding priorities until after Pakistan has incurred the expense.”<sup>74</sup> Moreover, as one commentator notes, “[a] reform of the coalition support reimbursement system would, therefore, not only better align U.S. financial burdens with the true services rendered by Pakistan but also ensure that U.S. military assistance would actually be used for counterterrorism efforts rather than diverted toward other programs....”<sup>75</sup>

Some argue that if Coalition Support Funds are, in fact, motivating the Pakistanis to fight our al Qaeda and Taliban adversaries, then diplomatic and oversight challenges should not be determinative in the evaluation of the program. However, Coalition Support Funds have, at best, a mixed record at motivating the Pakistani military to engage with internal militant elements.

Moreover, even when the Pakistani military has engaged in these areas, there is a question as to whether it has been successful. Many experts point to the lack of counterinsurgency training in the Pakistani Army and a lack of capacity of the Pakistani Frontier Corps. Others focus on the lack of investment in rule of law structures such as local constabularies and/or the judicial system. One wonders how much more success would have been achieved had all of the Coalition Support Funds (or even a portion thereof) been spent on training an effective counterinsurgency force or forces for enhancing the rule of law.

Some have gone further in criticizing these U.S.-funded, post 9/11 Pakistani military efforts as, in fact, counterproductive. For example, and as noted above, a Peshawar-based think tank observes that Pakistani military operations have had the unintended consequence of dismantling many of the limited governing institutions in the FATA.

The move of about 80,000 troops into FATA in 2002 had a negative impact on the system of administration in the tribal agencies...Fighting in tribal areas has resulted in...the rapid loss of administrative and physical control due to military operations. For instance, when the military begins an operation the normal working of the political system of controlling tribes in an agency is damaged. This disjunction prevents mobilization of support for the government and thus plays into the hands of the radicals. Military operations make political administration dysfunctional.<sup>76</sup>

This observation echoes sentiments expressed by leaders of the Awami National Party to the Subcommittee's most recent Congressional delegation to Pakistan. These “authority” vacuums have been filled by opportunistic al Qaeda, Taliban, and militants.

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<sup>74</sup> Charles Michael Johnson, *Preliminary Observations on the Use and Oversight of Coalition Support Funds (CSF) to Pakistan*, U.S. Government Accountability Office (May 6, 2008), Attached Briefing Slides at 14.

<sup>75</sup> Ashley J. Tellis, *Pakistan and the War on Terror: Conflicted Goals, Compromised Performance*, Carnegie Endowment for International Peace (2008), at 44.

<sup>76</sup> Khalid Aziz, *Extending Stability to Pakistani Tribal Areas*, Regional Institute of Policy Research & Training Peshawar (RIPORT) (2008), at 4.

### C. COALITION SUPPORT FUNDS: QUESTIONS OF DIPLOMATIC STRATEGY

The Coalition Support Funds program is designed to induce the Pakistani military to undertake United States military objectives in what looks, to some, like a rental arrangement that is designed to 'buy' Pakistani military assistance on operations that are deeply unpopular in Pakistan. The structure of the Coalition Support Funds program is susceptible to such a view, which exacerbates diplomatic challenges facing the long-term bilateral relationship, especially after Pakistan's return to democratic and civilian rule.

#### 1. THE TOXICITY OF THE U.S. BRAND IN PAKISTAN

Notwithstanding over \$10 billion in U.S. funds to Pakistan since 9/11, the U.S. image in Pakistan is toxic. A significant majority of Pakistanis – 66.9 percent – have either a “somewhat” (27.8 percent) or “very” (39.1 percent) unfavorable view of the United States.<sup>77</sup> Seventy-one percent of Pakistanis do not believe that Pakistan should cooperate with the United States in the “war against terror.”<sup>78</sup>

Part of the United States image problem mirrors former President Pervez Musharraf's own political problems that led to the opposition landslide in the February 2008 parliamentary elections and his resignation last month. Islamists strongly opposed President Musharraf's dealings with the United States, and the more moderate and secular elements of society were alienated by United States support for a leader they believe lacked legitimacy.

During a period of United States support for then-President Musharraf – during which Deputy Secretary of State John Negroponte and Assistant Secretary Richard Boucher described President Musharraf as an “indispensable ally” even as he was pursuing what some have labeled an authoritarian and anti-democratic crackdown – diplomatic outreach to a broader swath of Pakistani society suffered. Those democratic elements alienated by United States' expression of President Musharraf's “indispensability” have now taken the levers of Pakistan's sovereign parliament by ballot-box.

Another part of the problem flows from a U.S. aid package that had emphasized big-ticket defense items and direct budgetary support to President Musharraf's government rather than development aid of consequence to average Pakistanis and as a necessary adjunct to military efforts in stabilizing and pacifying areas of Pakistan's border region.

This dynamic is borne out by the fact that the United States' effective response to the earthquake disaster in Kashmir resulted in the only significant spike in United States popularity during the post-9/11 period. Over the last fiscal year, the United States government has done a better job of programming U.S. aid programs and, when applicable, using a shared objectives process to influence Pakistan's use of U.S. budgetary support for critical societal needs, like

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<sup>77</sup> *Results of a New Nationwide Public Opinion Survey of Pakistan before the February 18<sup>th</sup> Elections*, Terror Free Tomorrow (Jan. 19-29, 2008), at 21.

<sup>78</sup> *Pakistan Public Opinion Survey*, International Republican Institute (Jun. 1-15, 2008), at 28.

education and health care.<sup>79</sup> However, nonmilitary aid to Pakistan is dwarfed by security assistance and Coalition Support Funds reimbursements.<sup>80</sup>

Some of the U.S. image problems in Pakistan are more resistant to near-term programmatic changes. The war in Iraq, nuclear arrangements with India, and the perception that the war on terror is fundamentally anti-Islam are more structural obstacles to any public relations battle.

However, over time meaningful confidence-building measures tailored to the Pakistan political, economic, and social context could only help. It remains to be seen whether the new Pakistani coalition government and a new aid package might start to have some salutary effects on Pakistan's security and stability. However, Coalition Support Funds as a funding platform reinforces some of these negative perceptions of the United States and its relationship to Pakistan, thereby diminishing the United States' ability to bring its 'soft power' to bear.

## 2. PERCEPTIONS OF PAKISTANI GOVERNMENT OFFICIALS AS "AMERICAN CLIENTS"

Public polling, political rhetoric, and media headlines in Pakistan all point to one inexorable, and disturbing, conclusion: large swaths of the Pakistani populace resent what they perceive as U.S. manipulation of their government and military in pursuit of a controversial "War on Terror." Coalition Support Funds, by means of the underlying funding theory, program mechanics, and use, exacerbate the perception the Pakistani government and military have merely been doing the bidding of the United States instead of partnering against a mutual threat.

Polls of Pakistani public opinion demonstrate hostility to current U.S. counterterrorism efforts in Pakistan. A January 2008 survey documented 64 percent of Pakistanis oppose the United States military pursuing Al Qaeda and Taliban fighters inside Pakistan (although this is down from 74 percent who expressed opposition in an August 2007 poll on the same question).<sup>81</sup>

Pakistani political discourse also serves as another barometer of this sentiment. Former Prime Minister Nawaz Sharif made Pakistani subservience to U.S. objectives a centerpiece of the February 18 electoral strategy of his party, the Pakistan Muslim League-Nawaz (PML-N). In a campaign appearance in his home province of Punjab, Mr. Sharif suggested that President Pervez Musharraf "does not care about Pakistan, he cares about America."<sup>82</sup> Mr. Sharif's sentiments, and

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<sup>79</sup> See Testimony of Assistant Secretary of State, Richard A. Boucher before the Subcommittee on International Development, Senate Committee on Foreign Relations, U.S. Senate (Dec. 6, 2007), at 5-6 ("[W]e'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.")

<sup>80</sup> Alan Kronstadt, *CRS Report for Congress: Pakistan-U.S. Relations*, Congressional Research Service (Aug. 25, 2008), at 99.

<sup>81</sup> *Results of a New Nationwide Public Opinion Survey of Pakistan before the February 18<sup>th</sup> Elections*, Terror Free Tomorrow (Jan. 19-29, 2008), at 3-4.

<sup>82</sup> Zeeshan Haider, *Nawaz Sharif Derides Musharraf's U.S. Ties*, Reuters India (Feb. 13, 2008); see also *Sharif Slams Alliance With U.S.*, Assoc. Press. (Jan. 14, 2008) ("Musharraf has destroyed Pakistan. He is blindly following America's orders."). The tone of Sharif's comments stand in stark contrast to Sharif's tone during a meeting that Chairman Tierney and several other Members of Congress held at Sharif's residence in exile in London in March 2007. At that time, he sought an aggressive and constructive role for the United States in supporting pro-democracy forces

the deterioration of his relationship with the United States that it betrays, is of grave concern given his current status as the most popular political figure in Pakistan.<sup>83</sup>

As noted by the Congressional Research Service:

Much of the extremism in western Pakistan appears to be fueled by people's anger at Islamabad's perceived pro-American agenda, especially in the wake of Benazir Bhutto's return and subsequent assassination, and even more so following a succession of suspected U.S.-directed Predator aerial drone missile attacks on Pakistani territory.<sup>84</sup>

Such anger at the United States will not recede quickly, especially while the United States has concrete counterterrorism and counterinsurgency interests on Pakistani soil. However, there are ways of structuring the bilateral relationship that can mitigate negative perceptions and establish the kind of trust borne of mutual respect and a record of meaningful assistance to Pakistanis.

### 3. PERCEPTIONS OF U.S. BIAS IN FAVOR OF MILITARY LEADERS OVER DEMOCRATICALLY-ELECTED LEADERS

One of the issues raised with this Subcommittee repeatedly, whether on trips to Pakistan or in our hearings, is the perception – and underlying historical facts – that the United States has disbursed significantly more funds to Pakistan during its periods of military rule than its periods of democratic rule.

At times, pressing national security issues have driven United States aid and military policy toward Pakistan. By way of example, the Afghan *Jihad* of the 1980s and its Cold War implications drove massive United States covert assistance to Pakistan during the military leadership of President Zia ul-Haq, while Pakistan's nuclear program led to frosty relations during several of Pakistan's democratically-elected governments. However, such *realpolitik* has left a damaging perception of United States hypocrisy on matters related to democratic governance and civil society development.

Last year, eight months before her tragic assassination, former Prime Minister Benazir Bhutto set forth this critique of the gap between United States rhetorical support for democratic ideals and the cold, hard reality of its financial priorities. She noted that:

Significant flow of Western aid to Pakistan has been to military rulers. USAID figures indicate that between 1954 and 2002, Washington provided \$12.6 billion in economic and military aid to Pakistan. Of this, 75% (\$9.19 billion) went to military

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within Pakistan, and subsequent anti-democratic moves by President Musharraf, and it stands to reason the muted U.S. responses and steadfast U.S. support for President Musharraf contributed to his altered perspective.

<sup>83</sup> *Pakistan Public Opinion Survey*, International Republican Institute (Jun. 1-15, 2008) (noting that Nawaz Sharif enjoys an 82 percent favorable impression, which is significantly higher than the remaining in a list of some twenty prominent political Pakistani figures; by contrast, now-President Asif Ali Zardari registered 45 percent and then-President Pervez Musharraf registered at 9 percent).

<sup>84</sup> Alan Kronstadt, *CRS Report for Congress: Pakistan-U.S. Relations*, Congressional Research Service (Apr. 28, 2008), at 14.

rulers over 25 years and 25% (\$3.4 billion) to civilian governments over 19 years.<sup>85</sup>

She went on to argue that strategic crises have provided fertile opportunity for Pakistan's military rulers to consolidate power and mute international criticism of anti-democratic practices:

Islamabad's dictatorship takes strength from strategic developments. These include resistance against the Soviet occupation of Afghanistan and the global war against terror. These strategic developments have provided Western support for military rulers.

For decades our economic approach has been to rent out our army's services for fighting various causes like Communism or Terrorism. Since a crisis or a threat brings with it political power for the Generals, large amounts of covert funds plus military and economic assistance, there is little incentive to build peace in place of conflict, restore security in place of crisis or allow the empowerment of the people in place of subjugating them through militias or abuse of state power.<sup>86</sup>

Finally, Bhutto argued that the failure of the types of financial arrangements borne of perceived strategic necessity to solve endemic societal problems or establish long-term relationships of trust and goodwill call for a different model of bilateral relations:

In the last six years, Islamabad received nearly \$5 billion in aid. *An extra \$100 million are given monthly in coalition support funds.* The amount for covert transfers of funds must be at least this high if not higher. *Huge amounts of funds have come into the country but it has not trickled down to the people.* It has not improved the lives of our people even though additionally our loans have been rescheduled for our support in the war on terror.

....

Pakistan faces enormous problems including those of poverty, terrorism, militancy and extremism. *It is obvious that these cannot be solved through a model of a rentier military class.* The path to progress and civilization does not lie in threat perceptions.<sup>87</sup>

The new democratic momentum in Pakistan presents an opportunity to reverse this trend by supporting civilian rulers in their efforts to assert civilian control of the Pakistani military and intelligence apparatus in a manner consistent with the Pakistani Constitution, and their efforts to

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<sup>85</sup> Benazir Bhutto, *Ideas Live On*, Speech to the Pakistan Community in Denmark (Apr. 22, 2007).

<sup>86</sup> *Id.*

<sup>87</sup> *Id.* (emphases added). The term "rentier" refers to "an individual who depends on income derived from rents" and is commonly associated with political science and international relations theory. See, e.g., HAZEM BEBLAWI, *THE RENTIER STATE IN THE ARAB WORLD* (1990); NOAH FELDMAN, *AFTER JIHAD: AMERICA AND THE STRUGGLE FOR ISLAMIC DEMOCRACY* (2003). In this context, Madam Bhutto was characterizing Pakistani military officials as trading on Pakistan's strategic resources, and noting that, dependent as they are on this source of income, rentier states may generate rents externally by manipulating the global political and economic environment.

deliver on important promises of economic and physical security for Pakistan's people. This moment in Pakistani political history, along with the lack of progress in achieving national security goals, suggest that a significant reevaluation of the financial dimension of the United States-Pakistan relationship would be timely.

#### 4. HOW COALITION SUPPORT FUNDS EXACERBATE DIPLOMATIC CHALLENGES

Against the backdrop of the Pakistani political context, history, and related grievances, it becomes clear why Coalition Support Funds could exacerbate diplomatic tensions with a democratically-elected government.

First, a funding platform based on *reimbursement for incremental expenses* in support of *U.S. military operations* plays right into the worst political perceptions of the United States. This justification for such an arrangement is susceptible to elements in Pakistan that do not believe Pakistan has a strategic interest in quelling extremism within its borders.<sup>88</sup> Thus, in a very real respect, to many Pakistanis the program looks like a rental of Pakistan armed forces to do the bidding of the United States.

In fact, the Department of Defense budget justifications for Coalition Support Funds do little to promote any notion of Pakistan's own interests at stake in the fight against terrorist networks, the pacification of destabilizing militant forces within its own borders, and the benefits of regional stability.<sup>89</sup>

Second, the level of Coalition Support Funds and other military assistance streams reinforce the image that the United States' priorities lie with the military class as opposed to the broader Pakistani populace. The Bush administration's unwavering support for President Musharraf – and this program – during the peak of his anti-democratic and authoritarian conduct gave ammunition to such an unfortunate view. Moreover, the vast disparity of military-related funding streams compared to funding for humanitarian, economic, and governance issues of consequence to the Pakistani populace only serves to cement the unhelpful view that the United States gives lip service to institution-building and democratic values but will walk away once its perceived strategic necessities have been resolved.

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<sup>88</sup> This also raises a troubling domestic issue. Coalition Support Funds were meant to reimburse for "logistical and military support *provided to United States military operations.*" One issue that must be addressed is how Pakistani soldiers fighting on Pakistani soil, as opposed to support of U.S. military logistics en route to Afghanistan, constitute providing support to U.S. military operations.

<sup>89</sup> See generally Department of Defense, Defense Security Cooperation Agency, Global War on Terror (GWOT)/Regional War on Terror (RWOT), Operations and Maintenance, Defense Wide, Budget Activity 04, Administrative and Service-Wide Activities. As discussed more fully below, there has been rhetorical recognition among leaders within Pakistan's new coalition government of Pakistani interests in these struggles that present opportunities to refashion an anti-terror alliance in a way that demonstrates it is based on shared objectives rather than the false appearance of a patron-client relationship.

## VI. RECENT DEVELOPMENTS: A RIPE ENVIRONMENT FOR THE PHASE-OUT OF COALITION SUPPORT FUNDS

### A. A DIPLOMATIC OPENING: RECOGNITION OF TERRORISM AS A SHARED BURDEN

The new democratic leaders of Pakistan's coalition government have made encouraging statements about the fact that counterterrorism is in Pakistan's national security interest rather than just a United States interest. For example, Prime Minister Yousuf Raza Gilani has "identified terrorism and extremism as Pakistan's most urgent problems."<sup>90</sup> President Zardari has made the same commitment both before<sup>91</sup> and after<sup>92</sup> his election. Similar sentiments have been made by, among others, Asfandiyar Wali Khan (head of the Pashtun-based Awami National Party)<sup>93</sup> in the news and to the participants in the latest Subcommittee Congressional delegation to Pakistan.

### B. THE FATA DEVELOPMENT STRATEGY & SECURITY DEVELOPMENT PLAN FOR WESTERN PAKISTAN

Two new United States government initiatives – the FATA Development Strategy and the Security Development Plan – appear to address some of the concerns raised elsewhere in this report by comprehensively facing military, governance, and development challenges in western Pakistan. The strategic objective of the FATA Development plan is to "permanently render FATA inhospitable to terrorists and extremists."<sup>94</sup> It seeks to enhance the legitimacy of the Pakistani government in FATA, improve conditions there, and render sustainable change. It calls for a \$750 million commitment from the United States to contribute to the Pakistani-led effort, with a total investment target of \$2 billion.<sup>95</sup> Some of this work is already underway.

The related Security Development Plan seeks to enhance the Pakistani regular army, aviation, special operations components' capacity to engage in counterinsurgency operations, Frontier Corps' capability as a robust security service through equipment and training, and Border Coordination Centers along the Pakistan-Afghanistan border.<sup>96</sup> So far, in fiscal years 2007 and 2008, the plan calls for approximately \$200 million.<sup>97</sup>

The efficacy, accountability, and ultimate effect on diplomatic strategy of these initiatives remains to be seen. It is also unclear whether these programs are funded sufficiently given the magnitude of the interests at stake and their relative size when compared to the much larger

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<sup>90</sup> Alan Kronstadt, *CRS Report for Congress: Pakistan-U.S. Relations*, Congressional Research Service (Apr. 28, 2008), at 14.

<sup>91</sup> Asif Ali Zardari, *Momentous Day for Pakistan*, Bhutto's Legacy, CNN (Mar. 18, 2008) ("All of these elements are essential to a Pakistan where a democratically elected government, with the mandate of the people, confronts and marginalizes the forces of extremism and terrorism wherever they may exist in our nation.").

<sup>92</sup> *Zardari Vows to Fight Militants*, BBC NEWS (Sept. 9, 2008).

<sup>93</sup> Shaheen Buner, *War on Terror, Taliban, and Pashtun Nationalists*, NEWSVINE (Mar. 4, 2008) ("The ANP's political agenda includes provincial autonomy, fighting terrorism and renaming the NWFP province.").

<sup>94</sup> *Strategy for Pakistan's Federally Administered Tribal Areas (FATA)*, U.S. Mission Pakistan (Sept. 7, 2007), at 3 (briefing slides).

<sup>95</sup> *See id.* at 4.

<sup>96</sup> Testimony of John D. Negroponte, Deputy Secretary of State, before the Senate Foreign Relations Committee, U.S. Senate (May 20, 2008).

<sup>97</sup> *Id.*

amount spent on Coalition Support Funds. However, they incorporate the U.S. mission's recognition for a need to shift from a short-term, supporting relationship to a strategic, bilateral alliance with emphasis on a comprehensive counterinsurgency strategy for FATA. What has become increasingly clear throughout this investigation, however, is that Coalition Support Funds – as currently employed – do not fit into that latter vision of bilateral relations.

### C. THE NEED FOR COMPREHENSIVE FUNDING SUPPORT TO PAKISTAN

Pakistan faces a myriad of financial challenges presently, including very serious energy and food crises.<sup>98</sup> It also faces longer-term challenges, especially with regard to its education system. Back in 2005, the 9/11 Public Discourse Project Report Card noted: "U.S. assistance to Pakistan has not moved sufficiently beyond security assistance to include significant funding for education efforts."<sup>99</sup> 9/11 Commission Vice Chair Lee Hamilton described education funding to Pakistan as a "drop in the bucket" that needs to massively increased.

Defense Secretary Robert Gates has also recognized that counterterrorism strategy counsels for the need for a comprehensive approach to our relations with Pakistan, noting: "[w]e must continue to work with the Pakistani government to extend its authority in the tribal region and provide badly needed economic, medical, and educational assistance to Pakistani citizens there."<sup>100</sup>

Comprehensive assistance efforts by the United States could play a very positive role in the newly-elected coalition government of Pakistan being able to tackle head on these severe immediate problems as well as beginning to make a dent on the pervasive long-term challenges. Done properly, these efforts would not only engender meaningful public diplomacy benefits, they could help establish the foundations for a stable, democratic, and prosperous Pakistan in the years and decades ahead.

### D. READINESS TO REEVALUATE COALITION SUPPORT FUNDS

The problems and challenges shared with the Subcommittee's most recent delegation to Pakistan have apparently been shared previously with U.S. policy-makers, but to no avail. Following an October 2006 trip to the region, Senator Jack Reed published a trip report in which he noted that the Office of the Defense Representative-Pakistan "recommends changing the Coalition Support Fund program to paying for specific objectives that are planned and executed, rather than simply paying what the government bills."<sup>101</sup>

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<sup>98</sup> Alan Kronstadt, *CRS Report for Congress: Pakistan-U.S. Relations*, Congressional Research Service (Aug. 25, 2008), at 4.

<sup>99</sup> *Final Report on 9/11 Commission Recommendations*, 9/11 Public Discourse Project (Dec. 5, 2005).

<sup>100</sup> Testimony of Robert Gates, Secretary of Defense, before the House Armed Services Committee, U.S. House of Representatives (Sept. 10, 2008).

<sup>101</sup> Senator Jack Reed, *Report on October 3-9, 2006 Trip to Pakistan, Afghanistan, and Iraq*, United States Senate (Oct. 2006), at 16. Ashley Tellis adopted this recommendation in his Carnegie Report, arguing for a "shift to an alternative modality of disbursing coalition support funds to Pakistan where reimbursements are tied to specific tasks and linked to the performance of specific objectives." See Ashley J. Tellis, *Pakistan and the War on Terror: Conflicted Goals, Compromised Performance*, Carnegie Endowment for International Peace (2008), at 44..



Earlier this month, Admiral Mike Mullen, Chairman of the Joint Chiefs of Staff, testified about the need to comprehensively reevaluate Pakistan and Afghanistan strategy through the lens of a regional context:

I don't speak of Afghanistan without also speaking of Pakistan. For in my view, these two nations are inextricably linked in a common insurgency that crosses the border between them.... I intend to commission a new, more comprehensive strategy for the region, one that covers both sides of the border.... Absent a broader international and interagency approach to problems there, it is my professional opinion that no amount of troops in no amount of time can even achieve all the objectives we seek. We can't kill our way to victory.<sup>102</sup>

While these sentiments were not specifically expressed with respect to Coalition Support Funds, any comprehensive review would naturally focus significant attention on by-far the largest funding stream to one of the two primary countries involved. Any such review should take into account the concerns expressed in this report and more closely align U.S. policy and funding streams with strategic, long-term national security goals.

The new political dynamics in Pakistan, new strategic approaches to FATA, and the long-time recognition by those administering the Coalition Support Funds program in Pakistan of a need for a change combine to present an opportunity for skillful diplomacy to refashion the financial dimension of United States-Pakistan bilateral relations. The time is ripe for a change.

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<sup>102</sup> Testimony of Admiral Mike Mullen, Chairman of the Joint Chiefs of Staff, before the House Armed Services Committee, U.S. House of Representatives (Sept. 10, 2008).

## VI. FORGING A NEW PARTNERSHIP: A FRAMEWORK FOR ESTABLISHING TRUST, DEEPENING TIES & ACCOMPLISHING SHARED NATIONAL SECURITY GOALS

Based on the Subcommittee's extensive review of the Coalition Support Funds program – and in light of the strategic considerations, political climate, and historical context – relations between the United States and Pakistan should be guided by the following principles:

- **Strategic Vision.** The United States must look at its national security problems in South Asia as a regional matter. Geopolitical forces, including India-Pakistan tensions, and the Afghanistan-Pakistan border tensions along the Pashtun tribal belt, require regional perspective and cross-border solutions.
- **Mutual Alliance.** The al Qaeda and Taliban terrorist networks in western Pakistan present a clear and present danger to United States and NATO forces in Afghanistan, the people and government of Afghanistan, and potential terrorist targets in scores of other nations. They also represent a critical threat to the people of Pakistan and its democratically-elected government. The U.S. relationship with Pakistan – including U.S. funding – should be predicated on common purposes shared by sovereign allies.
- **Comprehensive Engagement.** Given the stakes and complexities in its relations with Pakistan, the United States needs to marshal its diplomatic, educational, medical, legal, agricultural, and commercial talents and enhance their standing vis-à-vis its military expertise. As the 9/11 Commission noted, a whole-of-government approach is warranted and necessary.
- **People-to-People Diplomacy.** The United States recently stuck with a military leader to the exclusion of opposition forces that were advocating for a return to democracy and civilian rule. The top-down, military focus of United States diplomacy came at the cost of a wealth of opportunities to broaden and deepen contact between the two nations. A whole-of-government and people-to-people approach would help to build trust in light of the tumultuous history of Pakistan-United States relations over the past 25 years.
- **Institutional Focus.** The United States should endeavor to help Pakistanis build the institutions of government and civil society. In many ways, the recent election demonstrated the resilience of the media, the lawyers' movement, and the democratic movement in Pakistan. Pakistan's parliament, judiciary, and regional assemblies also need institutional support after having atrophied under a military-led government.

Specifically, the executive and legislative branches of the United States government should consider the following policies:

**Transition from Coalition Support Funds.** As it pertains to Pakistan, the United States should transition from the Coalition Support Funds program. The United States should reconsider its funding platform so that a significant emphasis of U.S. funding is designed to help transform the Pakistani security forces into effective counterinsurgency tools – possibly by, in part, supplementing the Security Development Plan – and to honor mutual strategic interests. The transition to new or other existing funding platforms should include appropriate accountability protections and should be through the normal appropriations process rather than by means of emergency spending measures.

The Pakistani military's expectation that Coalition Support Funds will continue, and its reliance on those for basic operating expenses, can be ameliorated by roughly maintaining the level of support but finding more efficacious and accountable funding platforms. Note that one senior military official estimated that only fifty percent of the reimbursements are actually making it back to the relevant Pakistani military components under the current Coalition Support Funds program. This should be examined, and if there is excess funding once the Coalition Support Funds program is phased out into more appropriate long-term, strategic funding platforms, this excess funding should be redirected to the other critical bilateral priorities highlighted later in this report.

Keys to Success:

- Signal to Pakistan a continued U.S. commitment to the bilateral relationship. The Pakistani military should be encouraged in its efforts to recede from civilian political life and recognized for its sacrifices on the battlefield to date.
- Ensure that the bridge from Coalition Support Funds to the new financial package does not operationally disrupt the Pakistani military during this critical juncture.
- If the broader Coalition Support Fund program needs to be maintained, base payments on mission outcomes of mutual security goals.
- Ensure that the new mix of funding streams would meet mutual Pakistani and U.S. goals by engaging in a thorough dialogue between U.S. and Pakistani civilian and military leadership. Pakistan's democratically-elected leaders should be consulted at every phase of the military aid package planning and program administration in a manner consistent with the Pakistani Constitution.
- Ensure that the package focuses on training and equipping the Pakistani military for counterterrorism and counterinsurgency with a long-term relationship in mind.
- Enter into formal, goal-oriented and performance-based agreements – like helicopter maintenance agreements or medical evacuation support agreements – that would set forth parameters and expectations, and require front-end and back-end accountability and transparency.

**Civilian Law Enforcement & Rule of Law Focus.** The United States should commit substantial additional resources for Pakistani civilian law enforcement and justice-sector capacity.

Civilian security vacuums have come at great cost to United States national security interests and the peaceful residents of western Pakistan. Existing security vacuums currently being exploited by al Qaeda and the Taliban should be filled as quickly as possible. Some reasonably believe a strengthened Frontier Constabulary in FATA is at least as important as enhanced military capability. But security is not just a problem there. Urban centers, like Karachi, suffer from unacceptable levels of crime and unrest. To the extent that civilian law enforcement can be enhanced, it will dampen the temptation to deploy military and intelligence services to address Pakistan's domestic unrest. Part-in-parcel with strengthening law enforcement is enhancing the justice and rule of law sectors.

Keys to Success:

- Enhance civilian law enforcement capacity in collaboration with the Pakistani national government, provincial governments, and local governments through police training, equipment provision, and other assistance, preferably through a multilateral effort. The assistance should include the provision of significant numbers of police trainers to assist Pakistan's ability to collect evidence, to protect officials, to maintain order, to abate violent crime, and to investigate corruption while maintaining respect for individual rights.
- Support strengthening of the judicial branch through among other efforts, exchanges between Pakistani and international judges, prosecutors, and defense attorneys and offering Pakistani lawyers and judges training on the handling of complex criminal trials.
- Assist Pakistan's efforts at detention and prison reform in order to protect human dignity and establish confidence in the bases, conditions, and transparency of detentions of criminal suspects. In addition, the United States should take a public stand against secret, incommunicado detentions, especially given the public perception that such disappearances result from U.S. pressure to provide results in counterterrorism investigations.

**Democracy Dividend Enhancement.** The United States should fully fund the “Democracy Dividend”<sup>103</sup> in order to boost overall support of the newly-elected Pakistani government and the people of Pakistan. This gesture will help to begin to overcome the (historically supportable) perception in Pakistan that the United States gives greater support to Pakistani military governments than democratically-elected governments.

Keys to Success:

- Enhance non-military, programmed foreign assistance to Pakistan for the public education, health, energy, and economic sectors by orders of magnitude. This type of aid should be visible and will be meaningful to the Pakistani populace.
- Strengthen the democratically-elected government. This can be done by assisting it in its efforts to improve the quality of life of its citizens. In addition, skillful diplomacy could help establish an environment in which the new government can credibly claim credit for redefining the Pakistan-U.S. relationship in a manner that is advantageous to Pakistani citizens and consistent with Pakistan’s standing as a mutual ally.
- Offer the government of Pakistan an immediate and dramatic infusion of assistance designed to help Pakistan deal with its two current twin crises of energy production and food prices.

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For further information related to this report, please contact the Subcommittee on National Security and Foreign Affairs at (202) 225-2548 or visit <http://nationalecurity.oversight.house.gov>

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<sup>103</sup> Senator Joseph Biden has been promoting the idea of a “Democracy Dividend” to reward Pakistan for a return to genuine democratically-elected, civilian rule since as early as Fall 2007. *See, e.g., Biden Calls for a New Approach to Pakistan*, Press Release from Office of Senator Joseph R. Biden, Jr. (Nov. 8, 2007). Senator Richard Lugar joined Senator Biden in cosponsoring S. 3263 which authorizes \$7.5 billion over the next 5 fiscal years (\$1.5 billion annually) in non-military aid and advocates an additional \$7.5 billion over the subsequent 5 years.