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BEFORE THE
SENATE COMMITTEE ON FOREIGN RELATIONS**

A New Strategy for Enhanced Partnership with Pakistan

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Chairman Biden, Ranking Member Lugar, other distinguished members of the Committee, thank you for inviting me to appear before you. Today's hearing topic - *New Strategy for Enhanced Partnership with Pakistan*- is important. I welcome the opportunity to discuss USAID's development challenges and successes and our plans to continue building our partnership with Pakistan to support the country's democratization, stabilization and economic growth.

I have a brief statement to present to the Committee today. It highlights our current assistance program and partnership in Pakistan, the cooperative relationships across agencies, our plan looking ahead and, of course, the challenges we face implementing assistance programs in the unpredictable environment of Pakistan, particularly in the border areas with Afghanistan.

Current Assistance

When the United States returned to Pakistan in 2002, we focused on four key sectors: education, health, democracy and economic growth, in accordance with the Government of Pakistan's (GOP) request. Over the past six years, USAID has deepened that mandate, but in view of high female illiteracy and the need for workforce skills development, education remains our largest program. In all these sectors, the government of Pakistan has the lead and we target our assistance programs to support and enhance programs and priorities the GOP identifies.

Current funding will allow USAID to expand these ongoing, successful programs to new areas, such as the Swat Valley in the North West Frontier Province, as well as southern Punjab, northern Sindh. Similarly, we will extend efforts in earthquake-affected areas of Azad Jammu & Kashmir,

where we were not present until the 2005 earthquake occurred. This work has deepened our partnership with Pakistan and extended the writ of the government, as people have seen how these benefit their lives. We appreciate the support of Congress in making this possible. The overall FY2009 request includes \$150 million for the Frontier, the third year in a five-year \$750 million U.S. commitment to support the Pakistani nine-year \$2 billion FATA Sustainable Development Plan.

The government of Pakistan faces a number of challenges in Pakistan -- extreme poverty, illiteracy, lack of good governance and tribal insurgency. These problems are most severe on the borders with Afghanistan. The U.S. Frontier strategy expands on-going maternal and child health and education programs, introduces job creation efforts, and builds the capacity of local government to provide better services to the people. In some communities this means a new road, a well or an irrigation canal. In all communities, it means giving people a stake in their future development, and that of the GOP, for the first time.

Opportunities

The presence of a strong private sector, well-educated urban population, and civil society in Pakistan allow USAID to do its work more efficiently and effectively with a smaller Mission staff that relies on local capacity to support our work. These strengths enabled USAID to increase use of local firms, NGOs, and think tanks, to support development. Similarly, USAID is committed to increasing the involvement of local contractors in supporting Pakistan's development. It is also important to note that results of the national elections opened up new opportunities in the frontier for working with local leaders, municipal governments, civil society organizations and moderate political parties. Finally, the successful corporate CEO Partnership for Earthquake Reconstruction had long-lasting effects on northern Pakistan's development and created an overwhelmingly positive image of the United States. USAID will continue to make the most of these and other opportunities in implementing a dynamic program that meets changing needs.

Obstacles

The security situation in Pakistan is a real and serious concern, and can impede implementation of programs. We must ensure the safety of our

staff and, too often, that limits how we are able to monitor programs. In recent years, our staff find it difficult to leave the Embassy or Consulate. These impediments especially affect work in the FATA. We've established an office in Peshawar and a second Deputy Mission Director to lead our efforts there. This will support our efforts to implement and monitor programs as effectively as possible.

How would Pakistan view an increase in economic assistance?

Pakistanis are acutely aware of the hiatus that occurred when USAID left the country in the early 1990s, a departure that created a significant loss of trust between the US and Pakistan that remains today. Pakistanis would welcome increased assistance. What they would value more than increased assistance is a long-term commitment from the United States, a commitment that would reassure the Pakistanis that we will be their partner for many years to come.

Would USAID be able to handle such resources?

USAID has already successfully handled the significant but incremental increase in assistance that has occurred since 2002, when we returned to Pakistan. We are staffing up our Mission in Islamabad now, and, as I mentioned above, we are building up our presence in Peshawar, as an in-country regional office, to oversee the FATA program.

Interagency and Mission coordination

I appreciate appearing today with my two colleagues from the Departments of State and Defense. This is indicative of the close interagency coordination in Pakistan, that is, in fact, the best I've ever seen anywhere. We have a strong country team and excellent collaboration among the officials of these two departments as well as other US government agencies, and with other donors as well.

We work closely with our colleagues in Afghanistan. We also recognize the benefits of increasing coordination between the two USAID Missions. This will be particularly important as we continue our assistance programs in the tribal areas along the Frontier region in the FATA, NWFP and Baluchistan. We think that interventions in these areas should more or

less mirror each other, especially where members of the same tribe live on both sides of the border. We are still developing ideas on how we can improve this, but one proposed component is the Reconstruction Opportunity Zones (ROZs), which could provide a relatively low-cost way to promote sustainable development in economically challenged areas of Afghanistan and Pakistan.

Mr. Chairman, thank you for the opportunity to appear before you and Members of the Committee today. I am happy to take any questions you may have.