

**Statement for the Record by James Bever
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U.S. Assistance to Pakistan

**Before the Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform
United States House of Representatives
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Chairman Tierney, Ranking Member Flake and other distinguished panel members, thank you for your kind invitation to testify before you on this topic of U.S. assistance to Pakistan. I will keep my oral remarks to the requested five minutes by asking that my full written statement be entered into the hearing record.

When the United States Agency for International Development (USAID) reopened its mission in Pakistan in 2002, we focused primarily in health and education, primarily through cash transfer agreements. Since 2002, we have had the opportunity to build on past partnerships while moving in new directions. Following the President's strategy review, these include: an interest in forging new partnerships with local actors; building the capacity of Pakistani public and private institutions; and affecting the lives of individual Pakistanis.

For the purposes of my testimony, I would like to focus on our civilian assistance strategy for Pakistan; USAID's role in that strategy; our move towards local implementation through Pakistani institutions; our oversight and monitoring mechanisms; thoughts on FATA development and programming in conflict areas; and our democracy and governance work.

Civilian Strategy for Pakistan

This past October, President Obama signed the Enhanced Partnership with Pakistan Act, which authorizes tripling U.S. civilian economic and development assistance to Pakistan to \$1.5 billion annually from FY 2010 to 2014. Partnership between the United States and the Government of Pakistan will require assisting the Government of Pakistan in delivering better basic services to the population in the near term, and investing in the socio-economic transformation that Pakistan needs for long-term political stability. In that vein, our assistance will aim to focus on three key areas:

Infrastructure

We are working to support the Government of Pakistan in addressing the country's most critical infrastructure needs, with an initial focus on energy and agriculture (hydroelectric power, irrigation and cold storage), to help Pakistan recover from its energy and agriculture-related water crises and lay the foundation for increased economic growth and opportunity.

Government of Pakistan Service Delivery to Vulnerable Areas

We are working to assist the Government of Pakistan in more effectively providing basic services such as health and education to its citizens, particularly in areas most vulnerable to extremism, through both direct support and capacity development efforts. Programs will help provincial and district governments provide basic services to the poorest, least advantaged Pakistanis, those most at-risk to be attracted to extremists due to the limited presence of the Government of Pakistan. We are already working with the provincial governments in Punjab, Sindh, and when feasible, Baluchistan to identify how our assistance can reach the most vulnerable. Furthermore, our efforts in the conflict affected areas of the North West Frontier Province and the Federally Administered Tribal Areas will be expanded and directed increasingly through the Provincial Reconstruction and Rehabilitation Settlement Authority and the FATA Secretariat as their capacity to implement programming increases.

Implementation Through Pakistani Institutions

Moving forward, we intend to work far more closely with Pakistani government institutions, its private sector, and civil society in designing and implementing programs. Working through Pakistani implementing partners will make our programs more sustainable and will foster local capacity. U.S. assistance will also be placed "on budget" to assist the Government of Pakistan (Programs funded with these resources will be implemented through line ministries, provincial and sub-provincial governments, and quasi-public institutions (specialized training institutes), which may in turn acquire the services of Pakistani contractors (private sector) and grantees (not-for-profits) and or/ international firms and organizations to help them meet agreed objectives.) as much as possible, so that there is transparency as to where the U.S. funds are going and how they harmonize with Government of Pakistan and other donor resources.

USAID in the Civilian Strategy for Pakistan

As USAID programs in Pakistan have changed over time, the agency's profile and institutional setup have also changed. Forty years ago, expatriate USAID staff in Pakistan numbered in the hundreds. Twenty years ago, some forty Foreign Service officers were in place in Islamabad to manage the USAID program in cooperation with Pakistani counterparts. Even today, after the hiatus of the 1990s when we were out of Pakistan, we have about thirty Foreign Service officers and a small number of additional expatriate staff join with Pakistani colleagues to administer and manage the USAID program out of the Islamabad country office and a small regional office based in Peshawar.

In response to the Enhanced Partnership with Pakistan Act of 2009, we will further rebuild our presence in the country. As the lead and largest manager of assistance funds among U.S. Government agencies, USAID in particular will significantly increase its project management, legal, financial management, and procurement staffs. Additional U.S. staff has been requested to manage an expanded program operating more through Pakistani institutions and in provincial capitals. Given the paramount role Pakistan's provincial governments play in designing, managing and implementing programs, USAID will stand up and staff offices outside of our main office in Islamabad and small presence in Peshawar. USAID will augment its Foreign Service Officer and Foreign Service National staff by bringing in temporary staff from Washington, DC and other USAID Missions. Finally, USAID will recruit within its own Foreign and Civil Service ranks highly qualified individuals to serve as Senior Managers to boost program management, oversight and design.

The new USG development assistance paradigm is to procure services from a range of institutions or to issue grants to pursue development goals. In some cases, this is also done to provide assistance to Missions to manage specific responsibilities. Accordingly, USAID/Pakistan will engage Pakistani financial management and auditing expertise from Inspector General-approved Pakistani CPA firms. This will become more necessary as the Mission's budget increases, more and more partnerships are made with contractors or grantees, and USAID's portfolio expands.

We anticipate working more directly with the GOP on their development priorities-specifically on activities they have planned and developed but are not able to fund.

Local Implementation

USAID is now moving towards a practice of directing our assistance funds through a broad range of Government of Pakistan institutions, as well as local non-governmental organizations with the capacity to

implement programs effectively and accountably. This approach will help increase host country ownership, and U.S. commitment to building a long-term partnership with the Pakistani government and people.

Procedures are being developed with the Government at both the national and provincial levels for channeling resources through governmental agencies with the capacity to implement programs effectively. Implementation letters for the provincial governments have been drafted and are under review. The USAID Mission in Pakistan has been conducting pre-award surveys of governmental and non-governmental institutions that will likely be recipients of U.S. assistance resources. Of the total almost 70 organizations identified by the Mission to be assessed, USAID/Pakistan has completed 10 pre-award assessments, another 12 are underway and 7 are in the pre-issuance phase. Not all of the assessed organizations will receive funding, as they are not yet ready for such.

Subject to appropriate consultation and notification of Congress, the U.S. Government will provide funds to the Pakistani government and qualified Pakistani organizations through a variety of mechanisms: direct budget support; direct funding for federal government projects and programs; direct funding to Pakistani NGOs; direct funding to Pakistani contractors; multi-donor trust funds; and public private partnerships. Where appropriate, such as for technical assistance to the Government of Pakistan and assistance in sectors where Pakistani entities do not have the proficiency or sufficient capacity, the U.S. Government will continue to engage U.S. and international firms and NGOs.

Subject to consultation with Congress, direct support to the Government of Pakistan will be emphasized in recognition of the key Paris Declaration principles to enable greater ownership, alignment and use of host country mechanisms. A limited number of budget-support grants will be made through cash transfers to the Ministry of Finance. For example, the Mission is strongly considering the Benazir Income Support Program (BISP) to build on support provided with FY 2009 resources to assist women and impoverished families. Budget support to the Higher Education Commission is another possibility for FY 2010 resources. Specific GOP programs will be financed through direct grants to the GOP's implementing agency. Recipients will include both federal and, increasingly, provincial and lower-level government agencies. Selected GOP infrastructure projects will be financed on a reimbursement basis through "Fixed Amount Reimbursement" of host-country contracts, or in some cases small advances will be made to enable design and mobilization activities that the government could not otherwise do without initial funding.

Oversight and Monitoring

Plans are underway to strengthen USAID audit and investigatory capabilities on multiple fronts by:

- Establishing field offices in Pakistan for our Inspector General;
- Expanding the use of independent Pakistani public accounting firms to conduct financial audits of funds provided to Pakistani non-governmental organizations;
- Providing training to Pakistani public accounting firms and to the Auditor General on conducting audits of U.S. government funds;
- Helping the Pakistan Auditor General to conduct financial audits of funds provided to Pakistani government entities;
- Expanding investigatory coverage-along with providing fraud awareness briefings and building the capacity of the Pakistan government to carry out/assist with investigations; and,
- Coordinating audits and investigations among the U.S. Inspectors General and Government Accountability Office (GAO).

Audit coverage and annual audit plans will be developed in conjunction with U.S. Inspector General Offices and the Government Accountability Office. Our USAID/IG will conduct performance audits and oversee the conduct of periodic financial and compliance audits, provide training and oversight to Pakistani certified public accounting firms, oversee and approve all locally performed audits, and work with the Pakistani Government's Supreme Audit Institute to ensure that the audits it conducts of Pakistani government entities managing U.S. funds fully meet U.S. government regulatory and accountability standards.

Furthermore, USAID has initiated the pre-qualification of Pakistani government and non-government organizations through pre-award surveys of their internal controls and administrative and financial management systems. USAID has established a Memorandum of Understanding with the Government of Pakistan's Supreme Audit Institution to allow for the use of IG approved local CPA firms, when required.

In parallel, USAID has begun to define a process that our own USAID technical offices can use to expedite planning and negotiations with the Pakistani government at the federal and provincial levels. The objective is for the U.S. Government and Pakistani Government to be ready to sign agreements when the pre-award assessments and remedial actions are complete, subject to the programs being approved.

It should be noted that joint program evaluations conducted by teams comprised of senior U.S. development specialists, Government of Pakistan personnel, and where appropriate, representatives of other interested donors will be an integral element of our evaluation and oversight. Such a process will help to build the capacity of the Government of Pakistan to continue to monitor projects when they take over these activities. The joint program evaluation teams will determine whether projects are achieving the desired impacts and identify design and systemic issues that are impeding the achievement of desired results.

Finally, I would like to note that USAID/Pakistan currently is under the jurisdiction of the Government Accountability Office (GAO), as well as our own IG. We have nine ongoing audits and look forward to these new oversight and audit mechanisms that will help to ensure the good stewardship of the American people's funds.

FATA

Progress in the FATA, where the Pakistani government's presence had always been minimal, remains a challenge in large part due to the limited presence of Pakistani line ministries and the constrained provision of services through the FATA Secretariat and related Political Agents. Reflecting these limitations, our primary approach has been to build confidence in the Pakistani government by working with the FATA Secretariat to deliver a steady stream of small-scale projects in areas where security has improved and access has been granted (\$143 million on social and economic projects in all seven FATA Agencies and six Frontier regions since 2008). USAID's Office of Transition Initiatives (OTI) has supported the FATA Secretariat in six Tribal Agencies and all six Frontier Regions to facilitate these programs. USAID is also funding livelihood activities in the FATA, along with modest health and education projects. Together these efforts are supporting community and district infrastructure activities, health, education, micro and small business development and community agriculture. All these activities are developed, monitored, and evaluated in partnership with the FATA Secretariat's civilian authorities. The Improved Child Project is increasing access to the health facilities, improving the quality of child health services, and increasing acceptance of child care issues in the deprived communities in FATA. USAID's ED-Links project supports the improvement of teacher education, student learning, and governance reforms to strengthen the public education system in FATA.

In the critical Agency of Bajaur, USAID's Office of Transition Initiatives (USAID/OTI) has completed 32 activities totaling over \$1.6 million that includes paving seven streets, 15 water supply and sanitation activities, four flood protection walls and three electricity system rehabilitations. USAID's livelihoods project has contributed an additional \$ 4 million to Bajaur, for employment generation, scholarships and literacy, restoration of essential services, including construction of key government buildings, refurbishment of schools and building the strategic 22 km Barang Road, and essential agricultural and livestock support (including strengthening Farms Services Centers and land reclamation), and providing assistance for returning displaced persons, which is expected to reach \$12 million by Sept. 2010 when all the proposed projects are completed. In Bajaur, the Improved Child Health project has reached over 100,000 children under five and women in the community through Child Health Days where immunization and treatment of illnesses are given to children and pregnant women. Eight health facilities have been renovated and repaired, and medical equipment was delivered to 18 health facilities. The ED-Links project has established two prefabricated schools in Bajaur and more will be erected. Ten classroom-based libraries were established in various schools. Despite limited access in South Waziristan, \$3,000,000 in humanitarian supplies was provided, mainly by USAID's Office of Disaster Assistance, to persons internally displaced (IDPs) by military operations .

While we face greater security restrictions in FATA. However, we are noticing some successes in the FATA. Through our support of the Secretariat, we have constructed further 600 community-based infrastructure projects, valued at \$41 million, which reflect community-identified needs. During February 2010, USAID launched projects to: restore drinking water supply in two Tribal Agencies; pave streets in three Agencies; install electricity transformers; and rehabilitate key infrastructure, including building six flood protection walls in three Agencies.

The Pakistani military and the FATA Secretariat are increasingly working together to get the reconstruction job done in a timely manner. We have agreed with the FATA Secretariat to fund an initial \$55 million in road building and hydro/electricity repair projects in South Waziristan, with the possibility of increasing these

funds in the near future. Additional USAID funding is ready to go, pending receipt of project designs, cost estimates and timelines from the Frontier Works Organization.

USAID will continue to support livelihoods programs that will generate increased incomes, provide employment opportunities, build critical infrastructure, increase agricultural productivity, and an improved asset base for these conflict-affected populations. Vocational training and scholarship programs will help mitigate the disruption in the education of vulnerable youth from the affected areas. Support for the FATA Secretariat will provide additional capacity for its management of post conflict efforts.

Democracy and Governance

Pakistan has had a turbulent past regarding democratic governance. Scholars of Pakistan observe that prolonged alternating of civilian and military rule has eroded democratic institutions resulting in weak, inconsistent policies that compromise security across the country. Pakistan needs strong institutions to nurture political leadership; a transparent electoral system; and the tools and resources to govern justly and democratically.

USAID provides support to the Government of Pakistan (GOP) at the national, provincial and local levels to build public trust, address citizen priorities and expectations. This support also enables government institutions to better fulfill their roles and responsibilities in a transparent and accountable manner. Through its existing and future projects, USAID supports the Government of Pakistan to firmly establish rule of law, strengthen local governments and legislative institutions, and develop a credible and transparent electoral system capable of producing leaders and policy makers who can help Pakistan achieve its development goals.

In so far as tangible results are concerned I would like to point one project in particular- the Pakistan Institute for Parliamentary Services. In an effort to establish a permanent, Pakistani-led institution for training, technical assistance, professional research services and member-support, we are working to establish the Pakistan Institute for Parliamentary Services (PIPS). PIPS will be available for all assembly members, national and provincial. The Government has set aside land and funding and named an Executive Director. USAID has locally-contracted the design and construction of a building, expected to be completed in 2010. Until that time, we will operate an interim PIPS facility in the vicinity of the National Parliament, providing research services and training Parliament members and staff through 16 well-developed and tested curricula.

Conclusion

That concludes my written statement. Let me close by reiterating to the subcommittee that USAID's work in Pakistan is carried out by a cadre of dedicated American, Pakistani and third country national personnel who put their lives in danger daily in order to bring U.S. assistance to the country. As we've covered in today's hearing, many obstacles are in the path of providing U.S. assistance, but we look forward to meeting those challenges and keeping you up to date on our progress