CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 26, 2008

S. 3263
Enhanced Partnership with Pakistan Act of 2008

As ordered reported by the Senate Committee on Foreign Relations on July 29, 2008

SUMMARY

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

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

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

ESTIMATED COST TO THE FEDERAL GOVERNMENT

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

	By Fiscal Year, in Millions of Dollars					
	2009	2010	2011	2012	2013	2009-2013
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Authorization Level	1,500	1,500	1,500	1,500	1,500	7,500
Estimated Outlays	344	854	1,098	1,296	1,401	4,993

BASIS OF ESTIMATE

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

Assistance to Pakistan

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

Limitations on Security Assistance

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

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

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

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 3263 could impose a private-sector mandate, as defined in UMRA, on exporters of major defense equipment to Pakistan if the Secretary of State does not certify that the security forces of Pakistan have met certain security standards by 2012. If the Secretary does not issue such certification, the bill would prohibit the necessary licenses and programs for private entities to export major defense equipment to Pakistan. The bill would, however, allow the Secretary of State to waive the prohibition of exports of major defense equipment if the Secretary determines it is in the national security interest of the United States to provide such waiver. CBO assumes that the Secretary would exercise such a waiver. In the event that such exports are prohibited, the cost to comply with the mandate would be the forgone net income attributed to the sale of major defense equipment to Pakistan. According to industry experts and the Defense Security Cooperation Agency, the value of major defense equipment exported to Pakistan has varied from hundreds of millions of dollars per year to billions of dollars per year. Because of this variation, CBO cannot determine whether the cost of the mandate, if imposed, would exceed the annual threshold established in UMRA for private-sector mandates ($136 million in 2008, adjusted annually for inflation).

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