

GAO

Testimony

Before the Subcommittee on Near Eastern  
and South and Central Asian Affairs,  
Committee on Foreign Relations,  
U.S. Senate

For Release on Delivery  
Expected at 3:00 p.m. EDT  
Tuesday, May 20, 2008

## COMBATING TERRORISM

# U.S. Efforts to Address the Terrorist Threat in Pakistan's Federally Administered Tribal Areas Require a Comprehensive Plan and Continued Oversight

Statement of Gene L. Dodaro  
Acting Comptroller General





Highlights of [GAO-08-820T](#), a testimony report to before the Subcommittee on Near Eastern and South and Central Asian Affairs, Committee on Foreign Relations, U.S. Senate

## Why GAO Did This Study

Since 2002, destroying the terrorist threat and closing safe havens have been key national security goals. The United States has provided Pakistan, a key ally in the war on terror, more than \$10 billion in funds and assistance. Pakistan's Federally Administered Tribal Areas' (FATA) rugged terrain, poor economic conditions, low literacy, underdeveloped infrastructure, and undeveloped legal structure, all add to the complexity of efforts to address the terrorist threat in the FATA.

This testimony discusses the (1) progress of U.S. national security goals in the FATA, (2) status of U.S. efforts to develop a comprehensive plan, and (3) oversight of U.S. Coalition Support Funds (CSF) provided to Pakistan. The testimony is based on recent reports on the status of a comprehensive plan (GAO-08-622) and preliminary observations on the use and oversight of U.S. CSF (GAO-08-735R).

## What GAO Recommends

GAO previously recommended that a comprehensive plan be developed to combat the terrorist threats and close the safe havens in the FATA. Defense and USAID concurred; State asserted that a comprehensive strategy exists, while the Office of the Director of National Intelligence stated that plans exist. In GAO's view, these plans have not been formally integrated into a comprehensive plan. The National Security Council did not comment.

To view the full product, including the scope and methodology, click on [GAO-08-820T](#). For more information, contact Charles Michael Johnson Jr. at (202) 512-7331 or [johnsoncm@gao.gov](mailto:johnsoncm@gao.gov).

## COMBATING TERRORISM

### U.S. Efforts to Address the Terrorist Threat in Pakistan's Federally Administered Tribal Areas Require a Comprehensive Plan and Continued Oversight

#### What GAO Found

The United States has not met its national security goals to destroy terrorist threats and close the safe haven in Pakistan's FATA. According to U.S. officials and intelligence documents, since 2002, al Qaeda and the Taliban have used Pakistan's FATA and the border region to attack Pakistani, Afghan, as well as U.S. and coalition troops; plan and train for attacks against U.S. interests; destabilize Pakistan; and spread radical Islamist ideologies that threaten U.S. interests. GAO found broad agreement that al Qaeda had established a safe haven in the FATA. A 2008 DNI assessment states that al Qaeda is now using the FATA to put into place the last elements necessary to launch another attack against America. The United States has relied principally on the Pakistani military to address its national security goals in the FATA. Of the approximately \$5.8 billion directed at efforts in the FATA border region from 2002 through 2007, about 96 percent (\$5.56 billion) was U.S. CSF, used to reimburse the Pakistani military. U.S. and Pakistani government officials recognize that relying primarily on the Pakistani military has not succeeded in neutralizing al Qaeda and preventing the establishment of a safe haven in the FATA.

The *National Strategy for Combating Terrorism (2003)*, independent 9/11 Commission (2004), and congressional legislation (2004 and 2007) called for a comprehensive plan that included all elements of national power—diplomatic, military, intelligence, development assistance, economic, and law enforcement support to address the threat in the FATA. Since 2002, the U.S. Embassy in Pakistan has not had a Washington-supported, comprehensive plan to combat terrorists and close the terrorist safe haven. In 2006, the United States and Pakistan began an effort to focus on other elements of national power beyond military. However, as of last month there was not a formally approved comprehensive plan and support from the recently elected Pakistani government was uncertain.

Continued oversight is required to ensure the development and effective implementation of a comprehensive plan and the proper use of the billions of U.S. dollars devoted to assisting Pakistan in its efforts to combat terrorism in the FATA. Preliminary results from GAO's ongoing work on the oversight of U.S. CSF indicate that Defense may have recently increased its oversight of CSF. In 2007, Defense officials at the U.S. embassy in Pakistan—the Office of the Defense Representative to Pakistan (ODRP)—began playing a larger role in overseeing CSF reimbursement claims. Furthermore, Defense recently deferred or disallowed a larger amount of Pakistani claims. For the months September 2004 – February 2007, Defense disallowed or deferred an average of just over 2 percent of the Pakistani government's CSF claims. For the most recent claims (March – June 2007) processed in February 2008, Defense disallowed or deferred over 20 percent. The extent of ODRP's oversight in the future is unclear, given that its role has not been formalized.

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss U.S. efforts to assist Pakistan combat terrorism in Pakistan's Federally Administered Tribal Areas (FATA) and border region. My testimony is based on our two recent reports on the United States' lack of a comprehensive plan to destroy the terrorist threat and close the terrorist safe haven in the FATA, and preliminary results from our ongoing examination of U.S. Coalition Support Funds (CSF) reimbursements to Pakistan.<sup>1</sup> Since October 2001, the United States has provided Pakistan with over \$10 billion for military, economic, and development assistance activities in support of the critical U.S. national security goals of destroying terrorist threats and closing terrorist safe havens.<sup>2</sup> Approximately \$5.8 billion of this amount has been directed at efforts to combat terrorism in Pakistan's FATA and border region.

My testimony today discusses (1) U.S. progress in meeting U.S. national security goals in Pakistan's FATA region; (2) the status of U.S. efforts to develop a comprehensive plan for the FATA; and (3) the oversight of U.S. CSF provided to Pakistan.<sup>3</sup>

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## Summary

In summary, we found the following:

- The United States has not met its national security goals to destroy terrorist threats and close the safe haven in Pakistan's FATA, a mountainous region which shares a 373-mile border with Afghanistan. According to U.S. embassy officials in Islamabad and U.S. intelligence documents, since 2002, al Qaeda and the Taliban have used Pakistan's

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<sup>1</sup>See [GAO-08-622](#), *Combating Terrorism: The United States Lacks Comprehensive Plan to Destroy the Terrorist Threat and Close the Safe Haven in Pakistan's Federally Administered Tribal Areas* (Washington, D.C.: Apr. 2008); and [GAO-08-735R](#), *Preliminary Observations on the Use and Oversight of U.S. Coalition Support Funds Provided to Pakistan* (Washington, D.C.: May 2008).

<sup>2</sup>These goals have been set forth in the 2002 *National Security Strategy*, the 2003 *National Strategy for Combating Terrorism*, and the 2004 *9/11 Commission Report*, and have been endorsed by the Intelligence Reform and Terrorism Prevention Act of 2004 (P.L. 108-458, sec 7102 (b)(3)) and the Implementing the Recommendations of the 9/11 Commission Act of 2007 (P.L. 110-53, sec. 2042(b)(2)).

<sup>3</sup>See Appendix I for a brief description of our scope and methodology. The work on which this testimony is based was conducted in accordance with generally accepted government auditing standards.

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FATA and the border region to attack Pakistani, Afghan, as well as U.S. and coalition troops; plan and train for attacks against U.S. interests; destabilize Pakistan; and spread radical Islamist ideologies that threaten U.S. interests. We found broad agreement that al Qaeda had established a safe haven in the FATA. A 2008 Director of National Intelligence (DNI) assessment states that al Qaeda is now using the Pakistani safe haven to put into place the last elements necessary to launch another attack against America. The FATA's rugged terrain, wide spread poverty, high unemployment, low literacy, underdeveloped infrastructure, and unique legal structure<sup>4</sup> all add to the complexity the U.S. and Pakistani governments face in addressing terrorist threats in this region.

- The United States has relied principally on the Pakistani military to address its national security goals in the FATA. There has been relatively limited development assistance or efforts to improve governance as a means to mitigate underlying causes of terrorism in the FATA. Of the approximately \$5.8 billion directed at efforts in the FATA and border region from 2002 through 2007, we determined that about 96 percent (\$5.56 billion) of this amount was used to reimburse the Pakistani government through CSF<sup>5</sup> for military operations, 3 percent (\$187 million) was directed towards a border security program, and 1 percent (\$40 million) was spent on USAID development activities.
- Defense, State, intelligence, U.S. embassy, and Pakistani government officials in power at the time of our review, recognize that relying primarily on the Pakistani military has not succeeded in neutralizing al Qaeda and preventing the establishment of a safe haven in the FATA. In 2006, the embassy, Defense, State, and USAID, in conjunction with the Pakistani government, began an effort to focus more attention on other key elements of national power, such as development assistance, infrastructure improvements, and public diplomacy, to address U.S.

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<sup>4</sup>The FATA is governed by the Frontier Crimes Regulation (FCR) of 1901. This legal system, codified under British rule, is separate from and unequal to the legal system governing the rest of Pakistan. The information on foreign law in this report does not reflect our independent legal analysis but is based on interviews and secondary sources.

<sup>5</sup>CSF reimburses Pakistan for a variety of activities in support of the global war on terror, the majority of which consists of Army and Air Force operations against terrorists in Pakistan's FATA and the border region. However, some of the CSF also supports Pakistani Navy and Air Force activities outside of this area. Defense was unable to quantify what was reimbursed for activities outside the FATA and the border region at the time of our report, and therefore, we included all CSF as funds going toward the FATA and the border region. CSF reimbursement funds are paid to the Pakistani government treasury and become sovereign funds.

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national security goals in the FATA. However, this effort has not been formally approved by U.S. government stakeholders who would play a key role in the funding and implementation of such an effort, and support from the recently elected Pakistani government is uncertain.

- A comprehensive approach is needed as required by the administration's own *National Strategy for Combating Terrorism*, recommended by the independent 9/11 Commission, and mandated by congressional legislation.<sup>6</sup> Since 2002, the U.S. Embassy in Pakistan has not had a Washington-supported, comprehensive plan to combat terrorists and close the terrorist safe haven in the FATA. We have recommended that the administration produce a comprehensive plan using all elements of national power to combat terrorist threats and close safe havens in Pakistan's FATA region. The comprehensive plan should also include key components called for in the Intelligence Reform Act and components that we have previously reported as being needed to improve the effectiveness of plans involving multidepartmental efforts to combat terrorism.<sup>7</sup> Among other things, the plan should:
  - place someone directly in charge of this multidepartment effort to improve accountability;
  - articulate a clear strategy to implement the national security goal to destroy terrorists and close the safe haven in the FATA;
  - clarify roles and responsibilities of each department for implementing the goal, including establishing compatible policies and procedures to operate across agency boundaries;

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<sup>6</sup>The administration's 2003 *National Strategy for Combating Terrorism*, the independent *9/11 Commission Report*, and Congress's (1) Intelligence Reform Act and Terrorism Prevention Act of 2004 (P.L. 108-458, sec. 7120) and (2) the Implementing the Recommendations of the 9/11 Commission Act of 2007 (P.L. 110-53, sec. 2042 (c)) all support the development of a comprehensive plan that uses all elements of national power. Elements of national power include diplomatic, military, intelligence, development assistance, economic, and law enforcement support.

<sup>7</sup>GAO, *Combating Terrorism: Law Enforcement Agencies Lack Directives to Assist Foreign Nations to Identify, Disrupt, and Prosecute Terrorists*, [GAO-07-697](#) (Washington, D.C., May 25, 2007); GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C., Oct. 21, 2005); and GAO, *Combating Terrorism: Observations on National Strategies Related to Terrorism*, [GAO-03-519T](#) (Washington, D.C., Mar. 3, 2003).

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- provide guidance on setting funding priorities and providing resources to meet these national security goals; and
  - require a monitoring system and provide periodic reports to Congress on the progress and impediments to meeting national security goals in Pakistan.
- Continued oversight is needed to ensure the development and effective implementation of a comprehensive plan. Further, it is important that there is sufficient oversight of the billions of U.S. dollars devoted to assisting the Pakistani government in its efforts to combat terrorism in the FATA. Preliminary results from our ongoing work focusing on the use and oversight of U.S. CSF show that Defense may have recently increased its oversight of CSF. For example, in 2007, Defense officials at the U.S. embassy in Pakistan—the Office of the Defense Representative to Pakistan (ODRP)—began playing a larger role in overseeing CSF reimbursement claims. Furthermore, Defense recently deferred or disallowed a larger amount of Pakistani claims. Specifically, for the months September 2004 – February 2007, Defense disallowed or deferred an average of just over 2 percent of the Pakistani government’s CSF reimbursement claims. For the most recent reimbursement (March–June 2007 claims) processed in February 2008, Defense disallowed or deferred over 20 percent of Pakistan’s claim. Our preliminary observations indicated that this was the first time that ODRP recommended significant denials or deferrals of Pakistani claims.<sup>8</sup> The extent of ODRP’s oversight in the future is unclear, given that its role has not been formalized.
  - In response to our previous reports, Defense and USAID concurred with our recommendation that a comprehensive plan was needed; State asserted that a comprehensive strategy exists, while the Office of the Director of National Intelligence stated that plans to combat terrorism exist. In our view, these plans have not been formally integrated into a comprehensive plan as called for by Congress and that cover the full range of unique challenges associated with the FATA. Additionally, Defense recognized the importance and necessity of oversight over CSF.

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<sup>8</sup>Submitted costs can be (a) recommended for approval; (b) “deferred” and returned for additional documentation; or (c) “disallowed” for not being consistent with the scope of CSF.

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## Background

Some of the characteristics of the FATA make it attractive to terrorist groups, such as al Qaeda and Taliban, seeking a safe haven. The FATA is mountainous and shares a 373-mile border with Afghanistan. It has an estimated population of 3.1 million people, and is one of Pakistan's poorest regions, with high poverty, high unemployment, low literacy, and an underdeveloped infrastructure (See fig. 1).

**Figure 1: Map of the Federally Administered Tribal Areas, Pakistan**



Sources: GAO; USAID and Map Resources (maps).



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The FATA is governed by an administrative system and a judicial system different from the rest of Pakistan—the Frontier Crimes Regulation (FCR) of 1901, codified under British rule.<sup>9</sup> Because Pakistan retained the colonial administrative and legal structures of the British, as codified in the FCR, the FATA populations are legally separate from and unequal to other Pakistani citizens. Examples of these differences under the FCR include:

- The FATA residents do not have access to national political parties, and political parties are forbidden from extending their activities into the agencies of FATA.
- The FATA is under the direct executive authority of the president of Pakistan. Laws framed by the National Assembly of Pakistan do not apply in the FATA unless so ordered by the president.
- FATA residents do not have the right to legal representation. Those convicted are denied the right of appeal in Pakistan’s courts.
- The president’s representatives to the FATA, who are called political agents, can punish an entire tribe for crimes committed on the tribe’s territory by issuing fines, making arrests, implementing property seizures, and establishing blockades.

Defense has noted that the FCR is a culturally acceptable recognition of the tribal structure of the FATA, where the population is ethnically different from the majority of Pakistan’s citizens and precludes forced assimilation. Further, Defense noted that removing the FCR without a replacement mechanism that is accepted by the indigenous population has the potential to create a vacuum that could result in negative consequences.<sup>10</sup>

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<sup>9</sup>The information on foreign law in this report does not reflect our independent legal analysis but is based on interviews and secondary sources.

<sup>10</sup>A recent announcement by Pakistani Prime Minister Yousaf Raza Gillani regarding the repeal of the FCR drew mixed reactions from tribesmen and political leaders, some of whom called for amendments to the FCR, rather than its repeal.

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## The U.S. Government Has Not Met National Security Goals in Pakistan's FATA; al Qaeda Remains a Threat and Terrorist Safe Haven Still Exists

The United States has not met its national security goals to destroy the terrorist threat and close the safe haven in the FATA. While national security strategies have called for the use of all elements of national power, such as diplomatic, military, intelligence, development assistance, economic, and law enforcement support, to meet these goals, the United States has relied principally on supporting the Pakistani military. We found broad agreement, however, that al Qaeda has regenerated its ability to attack the United States and succeeded in establishing a safe haven in Pakistan's FATA. In particular, the 2007 National Intelligence Estimate (NIE) and 2008 DNI's *Annual Threat Assessment* state that al Qaeda has regenerated its attack capability and secured a safe haven in Pakistan's FATA.<sup>11</sup> These conclusions are supported by a broad array of sources, including Defense, State, and senior U.S. embassy officials in Pakistan.

The DNI's 2008 assessment stated that the safe haven in Pakistan provides al Qaeda with many of the same advantages it had when 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. U.S. government officials in Washington and Pakistan also acknowledge that al Qaeda has established a safe haven near Pakistan's border with Afghanistan. The NIE also found that in the past 2 years, al Qaeda's central leadership regenerated the core operational capabilities needed to conduct attacks against the United States. It also found that al Qaeda's central leadership, based in the border area of Pakistan, is and will remain the most serious terrorist threat to the United States.

The DNI's 2008 assessment and other sources have concluded that the resurgence of al Qaeda terrorists on the border between Pakistan and Afghanistan now pose a preeminent threat to U.S. national security. It states that al Qaeda is now using the Pakistani safe haven to put the last element necessary to launch another attack against America into place, including the identification, training, and positioning of Western operatives for an attack. The assessment found that al Qaeda and other Pakistan-based militants now pose a threat to Pakistan. The assessment

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<sup>11</sup>The DNI's 2007 NIE and its 2008 *Annual Threat Assessment* are designed to help U.S. civilian and military leaders develop policies to protect U.S. national security interests and represent the combined judgments of 16 U.S. intelligence agencies, according to the NIE.

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found an unparalleled increase in suicide attacks against Pakistan's military and civilians over the past year, with total casualties in 2007 exceeding all such attacks in the preceding 5 years. These attacks were ordered by Pakistan-based militants, many of whom are allied with al Qaeda. The assessment concluded that radical elements now have the potential to undermine Pakistan itself.

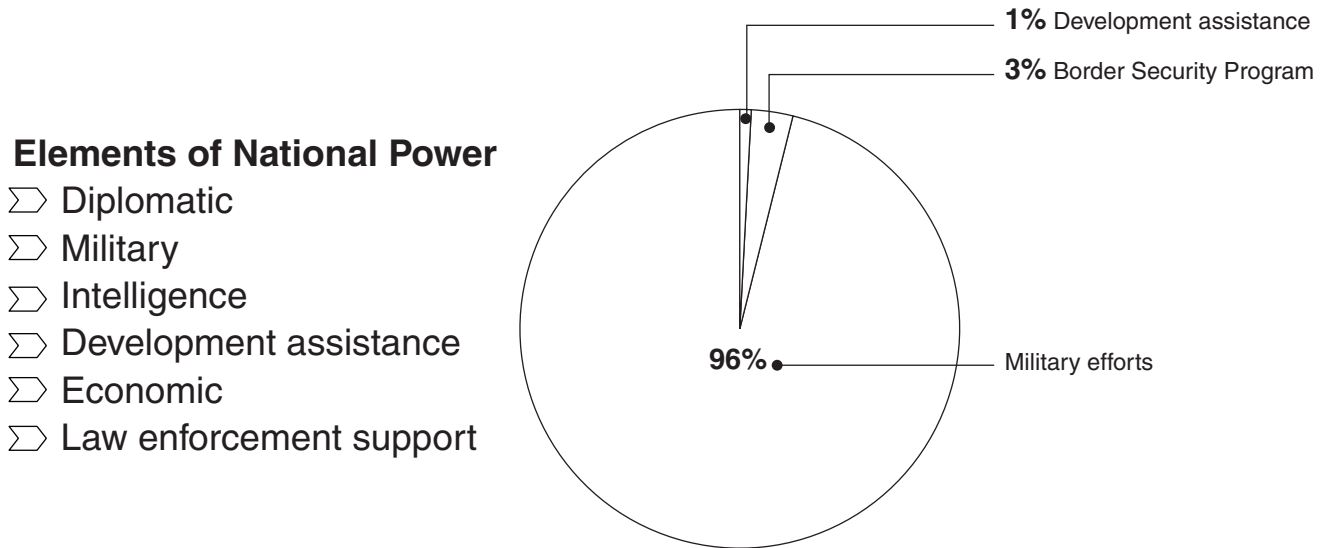
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**The United States Has Relied Primarily on the Pakistani Military to Accomplish Its Goals in Pakistan's FATA, with Limited Focus on Other Elements of National Power**

The United States has relied principally on the Pakistani military to address U.S. national security goals in the FATA. There have been relatively limited efforts, however, to address other underlying causes of terrorism in the FATA, such as providing development assistance or addressing the FATA's political needs. For example, although the FATA has some of the worst development indicators in Pakistan and is ruled under colonial administrative and legal structures dating from 1901, the United States has devoted relatively little funding to address these issues in the FATA.

Approximately \$5.8 billion has been directed at efforts to combat terrorism in Pakistan's FATA and the border region. As figure 2 shows, about 96 percent of this amount was used to reimburse the Pakistani government through CSF for military operations in support of Operation Enduring Freedom in Afghanistan, most significantly against terrorists in Pakistan's FATA and border region. We identified only two nonmilitary activities that occurred in the FATA and border region: State's border security program, which received about \$187 million, and USAID development assistance activities, which amounted to about \$40 million.

**Figure 2: Percentage of U.S. Funding Directed towards Activities in Pakistan’s FATA and Border Region, Fiscal Years 2002 to 2007**



Source: GAO analysis of Defense, State, and USAID data.

According to a State Department report, Pakistan’s military forces have had some tactical successes in the FATA. The Pakistani government stationed military and paramilitary forces along the border with Afghanistan, and security operations in the FATA disrupted terrorist activity by targeting and raiding al Qaeda and other militant safe havens.<sup>12</sup> According to State, Pakistan has helped kill or capture hundreds of suspected terrorists, including al Qaeda operatives and Taliban leaders.

**Key Government Stakeholders Recognize That a More Comprehensive Approach Is Needed**

Defense, State, U.S. embassy, and Pakistani government officials recognize that relying primarily on the Pakistani military has not succeeded in neutralizing al Qaeda and preventing the establishment of a safe haven in the FATA. State’s April 2007 *Country Reports on Terrorism* states that, despite having Pakistani troops in the FATA, the government of Pakistan has been unable to exert control over the area. The report concluded that Pakistan has now recognized that military operations alone would not

<sup>12</sup>Department of State report to Congress, pursuant to Section 2042 of the Implementing Recommendations of the 9/11 Commissions Act of 2007 (P.L. 110-53)

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restore security and stability to the FATA. Similarly, U.S. embassy officials in Pakistan stated that Taliban and al Qaeda elements have created a safe haven in the FATA and have used it to plan and launch attacks on Afghan, Pakistani, U.S., and coalition forces in Afghanistan and Pakistan. The embassy further noted that al Qaeda and the Taliban continue to recruit, train, and operate in the FATA.

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## No Comprehensive Plan for Guiding U.S. Efforts in the FATA Has Been Developed, as Called for by the Administration and Congress

The National Strategy for Combating Terrorism (2003), the independent 9/11 Commission (2004), and Congress in repeated legislation (2004 and 2007) recognized that a comprehensive plan employing all elements of national power—diplomatic, military, intelligence, development assistance, economic, and law enforcement support—was needed to combat terrorism and close terrorist safe havens in Pakistan’s FATA region. However, a comprehensive plan to meet U.S. national security goals in the region has not yet been developed. Even after the creation of the National Counterterrorism Center (NCTC), an organization specifically intended to develop, implement, and monitor multidepartment plans to combat terrorism, the embassy has lacked a Washington-approved, comprehensive plan that combines the capabilities of Defense, State, USAID, intelligence agencies, and other U.S. departments to combat terrorism in the FATA.

In addition, Defense, State, embassy officials, the DNI, and USAID recognize that a comprehensive approach is needed to meet U.S. national security goals in Pakistan. The Pakistani government in power at the time of our review, also recognized that it must take a more comprehensive approach to defeating terrorism and that an intensified and sustained effort that combines administrative, economic, educational, legal, and social reforms to defeat the terrorist threat is required, according to the DNI.<sup>13</sup>

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<sup>13</sup>Annual Threat Assessment of the Director of National Intelligence for the Senate Select Committee on Intelligence, February 5, 2008.

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Pakistan and the U.S. Embassy Are Encouraging More Focus on Other Key Elements of National Power to Achieve U.S. Goals in the FATA

In March 2006, the president of Pakistan requested that the United States support Pakistan's effort to support a more comprehensive approach to combating terrorism in the FATA. As a result, the U.S. embassy in Pakistan began coordinating efforts by Defense, State, and USAID to develop department-specific efforts to support Pakistan's Sustainable Development Plan for the FATA. Pakistan's Sustainable Development Plan is a 9-year, \$2 billion effort to provide economic development, extend the influence of the Pakistani government, and establish security in the FATA. To assist this effort, Defense undertook a counterinsurgency assessment in the FATA and began developing its Security Development Plan. At the same time, USAID provided technical assistance to the Pakistani government to help formalize its Sustainable Development Plan, as well as to plan USAID-development assistance activities in the FATA. This approach, if approved by the administration and key U.S. government agency stakeholders, would constitute the U.S. government's first attempt to focus more attention on other key elements of national power to address U.S. counterterrorism goals in the FATA.

Proposed Bilateral Efforts to Focus on More Elements of National Power

According to officials with the U.S. embassy and Pakistani government officials in power at the time of our review, a more comprehensive approach is critical to addressing the terrorist threat in the FATA and would represent a significant departure from the past. As such, the United States began an effort in fiscal year 2007 to provide over \$1 billion from fiscal year 2007 through 2011 for development assistance, security, infrastructure, and public diplomacy in support of the Pakistani government. This approach represents the first effort by the U.S. embassy to directly plan, implement, coordinate, and monitor a multidepartment effort to combat terrorism in the FATA.

The embassy planned to spend \$187.6 million on this initial effort using fiscal year 2007 funds. The funding has been directed to four areas:

- **Development:** The \$99 million development effort would be led by USAID and would include capacity building for the FATA institutions needed to plan, manage, and monitor development projects; efforts to build community and government relations; funding for health and education services; and efforts to increase employment and economic growth.<sup>14</sup>

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<sup>14</sup>In providing agency comments on GAO-08-622, USAID stated it received \$88 million for these efforts in the Fiscal Year 2007 Supplemental Appropriation.

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- **Security:** The \$54.1 million Defense and State security effort would include training for military and paramilitary units in the FATA—including the Frontier Corps, special operations forces, and air crews—and for providing night vision goggles, radios, and other equipment.
  - **Infrastructure:** The \$32.5 million the U.S. embassy has designated for infrastructure improvements related to both its security and development efforts would be used for road construction, the Frontier Corps training center, and border surveillance outposts.
  - **Public diplomacy:** \$2 million in funding was allotted for public diplomacy programs.

According to the embassy, the success of this new effort in the FATA will depend on close coordination among an array of institutions within the U.S. and Pakistani governments. The new effort also will involve partner agencies and allies, including the United Kingdom, Japan, and Europe; the Asian Development Bank; nongovernmental organizations; and the Pakistani private sector, civil society, and the tribes of the FATA.

This effort, however, does not yet constitute a comprehensive plan and has not been formally approved by U.S. government stakeholders who would play a key role in the funding and implementation of such an effort. Support from the recently elected Pakistani government, at the time of our review, was also uncertain.

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## Preliminary Observations on the Use and Oversight of U.S. Coalition Support Funds Provided to Pakistan

For the period covering October 2001 through June 2007, the United States reimbursed Pakistan about \$5.56 billion in CSF for military operations in FATA and other support in the war on terror. CSF reimbursement funds are paid directly into the Pakistani government treasury and become sovereign funds. Once they become sovereign funds, the U.S. government has no oversight authority over these funds.

In response to a Defense Inspector General review conducted in 2003, Defense implemented additional guidance to improve oversight of the CSF reimbursed to Pakistan. Moreover, in 2007, the ODRP began playing a larger role in overseeing CSF reimbursement claims.

In performing oversight, ODRP reviews the Pakistani claims and indicates that, to the best of its 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

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U.S. military operations in the theater. The claims are sent to the Office of the Under Secretary of Defense for 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.

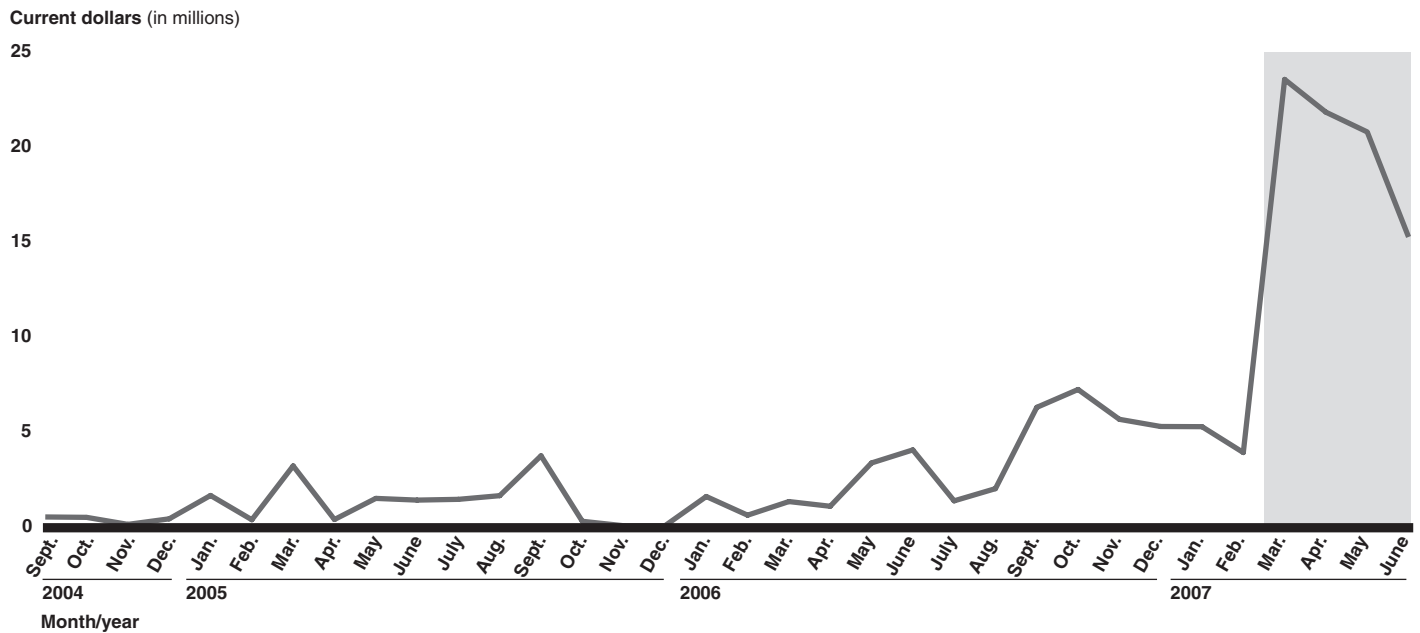
In recent months,<sup>15</sup> Defense has disallowed or deferred a larger amount of CSF reimbursement claims from Pakistan, as shown in figure 3.

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<sup>15</sup>The March-June 2007 claims reimbursed in February 2008 are the latest claims reimbursed by DOD Comptroller, as of May 2008.



**Figure 3: Amount of Pakistan Government CSF Claims Disallowed or Deferred by Month**



Source: DOD. GAO has not verified the reliability of DOD Comptroller's data processing.

Note: There is a lag between the provision of support and DOD's reimbursement of these costs. Submitted costs were (a) recommended for approval; (b) "deferred" or returned for additional documentation; or (c) "disallowed" for not being consistent with the scope of CSF.

We plan to monitor the status and progress of the U.S. government in developing this effort and provide an assessment in a subsequent report covering security, political, and development assistance activities undertaken by the United States to meet U.S. national security goals in the FATA. This work is being conducted in response to requests from the House Committee on Foreign Affairs; the Subcommittee on the Middle East and South Asia, House Committee on Foreign Affairs; the Subcommittee on National Security and Foreign Affairs, House Committee on Oversight and Government Reform; Senator Harkin; and Senator Menendez.

## Conclusion

Combating terrorism is the United States' top national security priority at home and abroad. The U.S. national security strategies have consistently called for using all elements of national power to combat terrorism, including diplomatic, military, intelligence, development assistance, economic, and law enforcement support. Because the use of the various elements of national power falls under the authority of numerous U.S.

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government agencies, a comprehensive plan is required to ensure that the full capacity of the U.S. government is focused on meeting U.S. national security goals.

We believe that such a plan would help to ensure coordination, integration, and implementation of U.S. efforts to close the terrorist safe haven in the FATA. A comprehensive plan to combat terrorism in the FATA that establishes goals, objectives, priorities, outcomes, and milestones, including specific performance measures, would allow an assessment of progress and help ensure accountability of U.S. efforts. As such, we believe that the administration should develop a comprehensive plan using the full capabilities provided by Defense, State, USAID, and other U.S. agencies and stakeholders to further assist Pakistan in combating terrorism.

Additionally, the U.S. has spent billions of CSF on Pakistan military operations in the FATA border region. As these funds continue to support Pakistani operations in the FATA, it is important that there is adequate oversight.

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## Prior Recommendations for Executive Action

In our report issued in April 2008, we recommended that the National Security Advisor and the Director of the NCTC, in consultation with the Secretaries of Defense and State, and the Administrator of USAID, the intelligence community, and other executive departments as deemed appropriate, implement the congressional mandate to develop a comprehensive plan using all elements of national power to combat the terrorist threat and close their safe haven in Pakistan's FATA region.

The comprehensive plan should also include key components called for in the Intelligence Reform Act, the Implementing Recommendations of the 9/11 Commission Act of 2007, and components that we have previously reported as being needed to improve the effectiveness of plans involving multidepartmental efforts to combat terrorism.<sup>16</sup> Among other things, the plan should:

- place someone directly in charge of this multidepartment effort to improve accountability;

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<sup>16</sup> [GAO-07-697](#), [GAO-06-15](#), and [GAO-03-519T](#)

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- articulate a clear strategy to implement the national security goal to destroy terrorists and close its safe haven in the FATA;
  - clarify roles and responsibilities of each department for implementing the goal, including establishing compatible policies and procedures to operate across agency boundaries;
  - provide guidance on setting funding priorities and providing resources to meet these national security goals; and
  - require a monitoring system and provide periodic reports to Congress on the progress and impediments to meeting national security goals in Pakistan.

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## Agency Comments and Our Evaluation

In response to our previous reports, Defense and USAID concurred with our recommendation that a comprehensive plan was needed; State asserted that a comprehensive strategy exists, while the Office of the Director of National Intelligence stated that plans to combat terrorism exist. In our view, these plans have not been formally integrated into a comprehensive plan as called for by Congress. Additionally, Defense recognized the importance and necessity of oversight over CSF.

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Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or other Members have at this time.

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## GAO Contacts and Staff Acknowledgements

For questions regarding this testimony, please contact Charles Michael Johnson Jr. on (202) 512-7331, or [johnsoncm@gao.gov](mailto:johnsoncm@gao.gov). Other contributors to this statement were Hynek Kalkus, Assistant Director; Edward J. George; Claude Adrien; Jeff Beelaert; David Hancock; Karen Deans; Mark Dowling; and Jena Sinkfield.

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# Appendix I: Scope and Methodology

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Our objectives and findings for this testimony were based on two recently issued reports.<sup>1</sup> To address these objectives, for our earlier reports, we reviewed relevant national security strategies, the 9/11 Commission Report, key congressional legislation, and related documentation from the Departments of Defense (Defense) and State (State) and the U.S. Agency for International Development (USAID), and discussed these issues with relevant department officials.<sup>2</sup> To determine progress in meeting national security goals, we compared the national security goals with unclassified assessments conducted by the Director of National Intelligence (DNI), State, and U.S. officials operating in Pakistan. We have previously reported on the need for plans to combat terrorism to include elements that would enhance interagency cooperation and improve effectiveness.<sup>3</sup>

To determine if comprehensive plans that included these key elements were developed and contained the elements recommended by national security documents and legislation, we requested all plans addressing U.S. efforts in the FATA from the Central Intelligence Agency (CIA), Defense, NCTC, NSC, State, USAID, and the U.S. Embassy in Pakistan. We reviewed all plans made available from Defense, State, USAID and the U.S. Embassy in Pakistan. The CIA, NCTC, and National Security Council (NSC) did not provide any plans.

In addition, we conducted field work in Pakistan in both Islamabad and Peshawar, near the FATA, and met with officials from the U.S. embassy and consulate, Pakistan's Ministries of Defense and Interior, the 11th Army Corps, the Frontier Corps, the FATA Secretariat, and a Pakistani nongovernmental organization with experience working in the FATA, as well as international donors.<sup>4</sup> We determined the amount of U.S. funding to Pakistan by analyzing Defense, State, and USAID budget documents covering the period from fiscal years 2002 through 2007. We determined the amount and oversight process used for CSF reimbursements to

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<sup>1</sup>[GAO-08-622](#), [GAO-08-735R](#).

<sup>2</sup>We also requested meetings with the Central Intelligence Agency (CIA), the National Counterterrorism Center (NCTC), and the National Security Council (NSC); however, only the CIA agreed to meet with us.

<sup>3</sup>[GAO-07-697](#).

<sup>4</sup>We met with international donors from Canada, Japan, the Netherlands, and the United Kingdom.

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Pakistan by analyzing Defense documents covering reimbursement claims for the period from fiscal years 2002 through June 2007.

We conducted these performance audits from July 2007 through May 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objectives.

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