

PAKISTAN ASSISTANCE STRATEGY REPORT

**SEC. 301 (a) OF THE ENHANCED PARTNERSHIP WITH PAKISTAN ACT OF
2009**

DECEMBER 14, 2009

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***Sections I-VI report on our civilian assistance strategy. Section VII is included to fulfill a reporting requirement in the legislation regarding helicopter replacement.**

I. 301 (a) (1): A description of the principal objectives of United States assistance to Pakistan to be provided under title I of the Enhanced Partnership with Pakistan Act of 2009.

The Enhanced Partnership with Pakistan Act of 2009 states that “Pakistan is a critical friend and ally to the United States, both in times of strife and in times of peace, and the two countries share many common goals, including combating terrorism and violent radicalism, solidifying democracy and rule of law in Pakistan, and promoting the social and economic development of Pakistan.” The Administration is in full agreement with this principle and intends to use U.S. civilian assistance to supplement Pakistan’s efforts in building a stable, secure and prosperous Pakistan. As the President stated in his December 1, 2009 address, “America will remain a strong supporter of Pakistan’s security and prosperity long after the guns have fallen silent, so that the great potential of its people can be unleashed.”

To achieve an enhanced partnership, U.S. assistance will seek to accomplish three key objectives:

1) Improve the Government of Pakistan’s capacity to address the country’s most critical infrastructure needs.

U.S. assistance will fund investments in Pakistan’s economic infrastructure, particularly in energy and agriculture, to help Pakistan recover from its energy and water crises, improve the daily lives of the Pakistani people, and increase opportunities for economic growth. Pakistan’s prosperity and stability is inhibited by deteriorating basic infrastructure that has not kept pace with its burgeoning population. Blackouts of up to 12 hours per day in many regions have reduced industrial and agricultural productivity, increased unemployment, and undermined support for the government from a frustrated public. Deteriorating irrigation canals and inadequate storage have long inhibited agricultural potential. The majority of people do not have access to potable water. Many Pakistanis talk nostalgically about the days when U.S. assistance efforts were more noticeable, technology-based, and longer-term. Recognizing these realities, a major portion of U.S. assistance will be used to rehabilitate and build key infrastructure in close coordination with other major donors active in these sectors. Programs involved will be visible, long-term and integrated for maximum impact. A strong communications strategy will seek to demonstrate to the Pakistani public that the United States has a long-term commitment to help bring stability and prosperity to Pakistan.

2) Help the Pakistani government address basic needs and provide improved economic opportunities in areas most vulnerable to extremism.

Pakistan's growing population and widespread lack of basic services, security and opportunities for economic advancement leave many Pakistanis frustrated and vulnerable to extremist ideology and recruitment. To assist Pakistan in a time of strife, U.S. assistance will help the Government of Pakistan improve services to poor and vulnerable communities, reducing the space for extremist groups to gain popular support by doing so instead. The United States will continue to focus such reconstruction and poverty-reduction programs toward the conflict-affected areas of the North-West Frontier Province (NWFP) and the Federally Administered Tribal Areas (FATA), where extremism most acutely threatens Pakistan's integrity and where military operations need to be accompanied by meaningful investment in security, infrastructure, health, education, economic opportunities and democratic institutions. The U.S. will also expand this focused approach to reach other vulnerable areas — southern Punjab, northern Sindh and areas of Balochistan.

3) Strengthen Pakistan's capacity to pursue economic and political reforms that reinforce stability.

Economic and political reforms that bolster the Government of Pakistan's ability to provide basic services for its people, ensure accountable resource management, and strengthen opportunities for people to participate in a growing economy and inclusive political system are essential to Pakistan's future stability. Pakistan has embarked on a difficult and lengthy path towards these reforms but requires ongoing support from the international community to stay the course. To strengthen the Pakistani Government's capacity to achieve these reforms, the United States, together with other donors, will invest more heavily in technical assistance to the Pakistani executive, legislative and judicial branches. The United States will also continue to provide assistance to support civil society and electoral processes to help ensure the continuation of elected civilian government and constitutional rule. At the same time, more U.S. assistance will be provided through accountable Pakistani institutions at the national, provincial and local levels to implement Pakistani-identified priority programs for which they currently have insufficient funds. This will enhance Pakistani ownership of its development programs and the long-term sustainability of programs funded by international assistance. To provide maximum accountability and oversight, a bilateral agreement between the U.S. and Pakistan must be in place detailing the conditions for disbursement of funds and detailed monitoring and reporting requirements before any government to government assistance is provided. The Secretary will

suspend any government to government assistance to any implementing agency if there is credible evidence of misuse of funds by such agency. The United States will also intensify its bilateral and multilateral policy dialogue with Pakistan to encourage specific economic policy reforms such as enhanced revenue collection, increased accountability and transparency, improved resource management, augmented Pakistani contributions to its development budget, and more equal opportunity for women and girls. These reforms will enhance the sustainability of U.S. assistance.

II. 301 (a) (2): A general description of the specific programs, projects, and activities designed to achieve the purposes of section 101 and the respective funding levels for such programs, projects and activities for fiscal years 2010 through 2014.

Three broad categories of U.S. civilian assistance will contribute to the objectives and goals described above: 1) High Impact, High Visibility Infrastructure Programs; 2) Focused Humanitarian and Social Services; and 3) Government Capacity Development. Together, these categories of assistance are intended to help extend the writ of the Pakistani government, undermine the extremist threat, and build a better foundation for Pakistan's growth and development. The details provided below were developed for general planning purposes and will be refined during program design. Funding levels are notional and subject to normal budget formulation and appropriation cycles.

1) High Impact, High Visibility Infrastructure Programs (\$3.5 billion).

Major infrastructure programs will be identified in collaboration with the Pakistani Government to address some of the fundamental needs in Pakistan today, particularly in the energy and agriculture sectors. Programs that Pakistani citizens can see, that improve Pakistani livelihoods and that increase access to economic opportunity will demonstrate the long-term U.S. commitment to Pakistan and will help build mutual trust between the Pakistani and American people.

U.S. engagement in the energy sector will respond to the urgent need for more power that is essential to business activity, job creation, and political stability. Dialogue with the Government of Pakistan has already prompted steps that will put the power sector on a more commercially sustainable financial footing needed to attract private investment and reduce chronic shortages. For example, U.S. engagement, in parallel with the international financial institutions and other donors, has been key to building the Government of Pakistan's confidence to take actions that rationalize the balance sheets of energy sector companies, by removing debts caused by previous government policy as well as by adjusting electricity tariff setting mechanisms and the tariffs themselves to move towards cost recovery levels. U.S. policy and assistance engagement will remain as Pakistan pursues the effort to reorganize and revitalize the sector. U.S. assistance will support quick-impact rehabilitation and efficiency programs that will reduce the gap between Pakistani supply and demand, will improve management, oversight and administration of power distribution, and will ensure that service improves and operations become more commercial and financially sustainable. Medium-term

contributions of new generation will help set benchmarks for operations and serve as models for improving the mix of primary energy sources. This program, when married with appropriate Pakistani policy steps and support from the other donors and private sector, will help ensure that the energy sector becomes a financially viable sector over the long term and is able to play its part as a solid foundation for Pakistan's economy.

Investments in agriculture will address the impending water crisis, which the Pakistanis repeatedly raised with Secretary Clinton during her October 2009 visit to Pakistan, and will improve the profitability of agricultural markets. Pakistan's agricultural sector, which affects the livelihood of 60 percent of the Pakistani people, uses 90 percent of Pakistan's water. Management of the Indus Basin Irrigation System, which sustains the agricultural sector, is reliant on water flows from diminishing Himalayan glaciers and is so inefficient that half the water is lost to seepage. To avoid potential disruption in rural incomes and food supplies from this pending water crisis, the Pakistanis urgently need investments in storage, canals, and irrigation services to improve water management. High impact, high visibility U.S. agriculture programs will likely include rehabilitation and/or expansion of irrigation to help make Pakistan's agricultural industry more stable and profitable. Assistance will be implemented primarily through provincial irrigation departments, thus helping build long-term capacity at the sub-national government level to manage water in a sustainable fashion.

In addition, Pakistan's agricultural sector is missing major revenue-generating opportunities and self-sustaining export potential because of its poor storage infrastructure. Less than eight percent of Pakistani produce is exported due to inadequate cold storage facilities; for example, an estimated 35 percent of Pakistan's mango crop rots before reaching any marketplace. U.S. experts are exploring investments in cold storage facilities that will leverage private sector capital investment and increase the opportunities for exports of mango, citrus and other horticulture. Such investments would help stabilize Pakistan's rural economy.

While the United States' infrastructure support will focus first on energy and agriculture programs, subsequent years of funding are intended to also support activities in transport, health and education, such as roads in the border region, a state-of-the-art trauma center in a vulnerable area or a center of excellence in a major university, which will serve a concrete need and are indicative of the U.S. long-term commitment to help improve the lives of the Pakistani people. These efforts will not substitute for ongoing investments in social service and capacity development, but rather will provide visible symbols of our efforts intended to

address immediate needs of the Pakistani people and to promote Pakistan's growth, security and stability.

2) Focused Humanitarian and Social Services (\$2 billion).

U.S. assistance to help the Government of Pakistan meet immediate humanitarian needs and provide basic services will address pressing needs of the Pakistani people while extending the writ of government in areas vulnerable to extremism.

a. *Immediate Post Crisis and Humanitarian Assistance (\$500 million).*

The United States will continue to contribute to urgent humanitarian needs as they develop through contributions to international NGOs and local institutions that provide food and non-food items to populations affected by natural disasters or ongoing military operations in Waziristan and other areas along Pakistan's border with Afghanistan. This assistance both provides for urgent basic needs and reinforces the Government of Pakistan's role in efforts to restore basic health, education and other services in the affected areas; rehabilitate infrastructure; and create job opportunities. Income support and social safety nets are included in this category of assistance, as are cash for work; small-scale water, roads, and other infrastructure; tools and seeds; and micro-credit for persons displaced from their homes by conflict as well as for internally displaced persons (IDPs) who return to their homes in the NWFP and FATA. (Note: Economic Support Funds for these activities will be in addition to funding from other global humanitarian accounts not included in these figures).

b. *Increased Access to and Quality of Education and Health Services (\$1.5 billion).*

U.S. programs are achieving results and will continue to focus on helping Pakistan expand access to education for neglected groups, especially girls; adopt new technologies; and develop teacher and administrator skills. U.S. assistance in the health sector will continue to focus on increased access to improved health care for mothers and children and to family planning services while also enhancing Pakistan's efforts to combat infectious diseases such as hepatitis, polio and tuberculosis.

U.S. health and education assistance to Pakistan will be focused on geographic areas where: 1) service delivery is poor and greater Pakistani Government capacity to deliver education and health services will improve the Government's standing in the eyes of constituents; and 2) there is

demonstrated susceptibility to extremist organizations providing services that undermine the legitimacy of the Pakistani Government. More health and education assistance will be provided through provincial and district government institutions to enhance Pakistani ownership of new programs and thus make their impact more sustainable.

3) Government Capacity Development (\$2 billion).

Assistance to build capacity in Pakistani government institutions at the national, provincial and local level will reinforce government's ability to provide security and economic opportunities for the Pakistani people, particularly in vulnerable areas. Aside from specific capacity building programs, we expect Pakistani officials to learn in depth about budget and program management best practices from technical and oversight professionals who will be on hand to help ensure that projects implemented through Pakistani institutions meet the required standards. U.S. assistance and policy engagement also will help the Government of Pakistan address some of its most vexing social and macro-economic policy issues, such as the need for greater revenue collection, so that the tangible benefits of U.S. assistance efforts can be sustained. This assistance will be supported by bilateral and multilateral diplomacy aimed at encouraging appropriate reforms.

- a. *Improved National and Local Governance (\$1.0 billion).*** Governance programs will build local government capacity in vulnerable districts, support civil society including for women and minorities, help national and provincial Parliaments build oversight capacity of the executive branch, and strengthen the electoral system and political parties.
- b. *Improved Security and Legal Institutions (\$1.0 billion).*** U.S. assistance will help the Government of Pakistan respond to its citizens' demands for improved security and justice through police training activities and improved court management, with particular emphasis on areas of conflict and/or weak government presence. Building Pakistani policing capacity is particularly important in order to sustain the recent security gains achieved by the Pakistani military in the NWFP and FATA.

The promotion of the rights and full participation of *women and girls* in Pakistan's social, business and political life will be explicit elements of all programming. For example, in education programming, girls' enrollment and attendance in school is prioritized, as are efforts to ensure that females receive their fair share of U.S.-supported scholarships and tuition support; in health programming, maternal health is a large element of ongoing programming; in governance programming, Pakistani NGOs that advocate for women's participation in the public realm and

their rights under the law will be supported; and in private sector development programming, women are specifically targeted to receive business loans.

To measure progress across these categories of U.S. assistance, the State Department and USAID will track well-recognized output and outcome indicators for each project and program – such as percentage reduction in daily power outages or the number of children vaccinated for polio, and the size of the court case backlog.

III. 301 (a) (3): A plan for program monitoring, operations research, and impact evaluation research for assistance authorized under title I of the Enhanced Partnership with Pakistan Act of 2009.

Challenges to the effective implementation of U.S. and other donor assistance programs are real and significant. These include: the poor security situation and presence of extremist elements in many parts of the country; Pakistan's limited capacity to absorb and effectively use external resources; public sector corruption; suspicion of U.S. intentions and long-term commitment; and the possibility that the Government of Pakistan may be slow to implement key policy reforms that will help sustain U.S. and other donor assistance.

These challenges underscore the importance of designing programs that help build implementation capacity and rigorous performance monitoring, and of intensifying diplomatic efforts to persuade Pakistan to implement much-needed policy reforms. This is particularly true given that more U.S. assistance will be implemented through Pakistani institutions. This will be accomplished through:

1) Increased U.S. Government Staffing.

Additional U.S. staff has been requested to manage an expanded program operating more through Pakistani institutions and in provincial capitals. Ambassador Robin Raphel has been appointed as economic assistance coordinator in Pakistan to closely supervise all assistance to the country to coordinate the expanding assistance programs.

Staffing level requirements are based on reviews with each of the U.S. Government agencies and USAID technical teams at Post. Additional operational funding will be required to support the additional staffing. Related investments in office and residential infrastructure and transportation are being identified. Given the paramount role Pakistan's provincial governments play in designing, managing and implementing programs, U.S. Government staff will be both in Islamabad and consulates (Peshawar, Karachi and Lahore). 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.

2) Increased Audits and Investigations Capacity.

Plans are underway to strengthen U.S. government audit and investigatory capabilities by:

- Establishing field offices in Pakistan for the inspectors general of the Department of State and the USAID;
- Expanding the use of independent Pakistani public accounting firms to conduct financial audits of funds provided to Pakistani non-governmental organizations (NGOs);
- 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;
- Coordinating audits and investigations among the U.S. inspectors general and the Government Accountability Office (GAO).

Audit coverage and annual audit plans will be developed in conjunction with U.S. Inspector General Offices (USAID, Department of State, and Department of Defense) and the Government Accountability Office. The USAID Inspector General (IG) will conduct performance audits and oversee the conduct of periodic financial and compliance audits, provide training and oversight to Pakistani certified public accounting (CPA) 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.

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 well-respected 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 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.

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 builds the Pakistani capacity to continue to monitor projects when Pakistani officials eventually take over these activities. These joint program evaluation teams will determine whether projects are achieving the desired impacts on, for example, the economy, stability in conflict-affected areas, the energy sector, or children's health. These impact evaluations will identify project design and systemic issues (both U.S. and Pakistani) that are impeding the achievement of desired results and will serve as the basis for decisions on how to adjust programs to make them more effective.

IV. 301 (a) (4): A description of the role to be played by Pakistani national, regional, and local officials and members of Pakistani civil society and local private sector, civic, religious, and tribal leaders in helping to identify and implement programs and projects for which assistance is to be provided under this Act, and of consultation with such representatives in developing the strategy.

Alignment with Pakistani Priorities: A key element of the President's strategy is to align more closely U.S. assistance with Pakistan's development and investment priorities.

- **Pakistani Government's Development Planning:** The U.S. assistance program is based on the priorities for development as identified by the Government of Pakistan in the Poverty Reduction Strategy Paper II and the Government of Pakistan's various sector development strategies, including the National Accountability Ordinance (1999), the Infrastructure Project Development Facility (2006), the National Social Protection Strategy (2007), the National Education Policy (2009), the National Health Policy and Karachi Declaration (2009), the National Judicial Policy (2009), the Sector Development Program (2009-10), and the Comprehensive Stabilization and Socio-Economic Strategy for Malakand Division.
- **Pakistani public opinion polling:** The U.S. assistance program will also take into account priorities expressed by the Pakistani public in polling, media, and civil society discussions. For example, in a survey by the Urban Institute and ACNielsen, 4,002 nationally and provincially represented households across the country were asked their top three priorities for improvement of government of services - education, drinking water supply, garbage disposal, improved health facilities, reduced flooding in streets, improved roads, and improved supply of electricity. Together, these responses track closely with the priority areas for U.S. assistance identified in this report – energy, water, infrastructure, service delivery.

Pakistani Input into U.S. Assistance Planning: Pakistani officials at all levels will have the opportunity to provide input into civilian assistance planning. An interagency team visited Embassy Islamabad for several weeks in October / November 2009 to review U.S. civilian assistance strategy. They met with members of the Government of Pakistan at the federal level, including the Finance Minister and Special Advisor to the Prime Minister on Economic Affairs; members of Parliament; and members of the Government at the provincial and local level, including FATA Secretariat and NWFP Secretariat officials. U.S.

assistance officials in Pakistan continue to meet regularly with key ministries at the national and provincial level, Pakistani non-governmental organizations, members of the private sector, and other members of civil society to discuss the strategy. Their feedback will continue to be incorporated throughout the strategy, including for prioritization of assistance programs, implementation mechanisms, and oversight modalities.

Joint Pakistani – U.S. Implementation Mechanisms: As is consistent with best practices in international development, U.S. assistance will be directed increasingly through a broad range of Government of Pakistan institutions, as well as local non-governmental organizations (including the private sector) 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 also begun conducting pre-award surveys of governmental and non-governmental institutions that will likely be recipients of U.S. assistance resources.

With the expected substantial program growth, the absolute level of funding through U.S.-based implementing partners is expected to decline slowly in FY 2009-FY 2010; however, there will be a shift in the composition of the U.S. capabilities required. Throughout this period, there will be a decrease in reliance on U.S. - based partners for education, health and other field programs that can be managed responsibly by Pakistani institutions. However, the ramp-up of large infrastructure programs will require a short-term increase in the need for architectural and engineering, monitoring and evaluation services, and other specialized U.S. - based experts. Once the activities are launched, those needs will decrease. Similarly, the development of a major program in higher education or the expansion of tax reform and anti-money laundering programs by the U.S. Treasury would bring skills not yet available in Pakistan at the numbers needed.

The U.S. Government will provide funds to the Pakistani government and qualified Pakistani organizations through a variety of mechanisms: direct sector budget support; direct funding for federal government projects and programs; direct funding for provincial 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 engage U.S and international firms and NGOs.

Civil Society's Role in Oversight and Advocacy: NGOs will be used as one means to monitor at the community level whether projects and programs are being implemented efficiently and achieving their intended goals. NGOs will also be engaged to advocate for various groups such as women, children and minorities.

Donor Coordination and Mobilization: The international community is very active in Pakistan. At the 2009 Tokyo Donors Conference, other donor countries and institutions pledged \$4.35 billion, in addition to the U.S. pledge of \$1 billion, in an effort to support Pakistan as it undertakes fiscal reforms required under the IMF Stand-by Agreement. Likewise, the international community has pledged close to \$366.4 million in humanitarian and reconstruction assistance since May 2009 to help alleviate Pakistan's displacement crisis, in addition to the U.S. commitment of \$338.6 million. The United States will continue to expand its collaboration with major donors, including, among others, the Asian Development Bank, the World Bank, the EU, Japan, and the UK, to mobilize more resources for Pakistan, to deconflict projects and programs, and to coordinate messaging to the Pakistani government about resource management and transparency. Ongoing donor coordination and engagement activities include: 1) supporting UN efforts to coordinate aid to the vulnerable areas, under the leadership of the newly appointed UN Special Envoy for Pakistan Assistance; 2) engaging with the Friends of Democratic Pakistan and the Pakistani Development Forum; 3) supporting the IMF Stand-By Arrangement; 4) encouraging contribution to the World Bank-Administered Multi-Donor Trust Fund for the NWFP, FATA, and Balochistan; 5) supporting the ongoing World Bank and Asian Development Bank's Damage Needs Assessment and Post-Crisis Needs Assessment process; and 6) supporting the Asian Development Bank's efforts to coordinate energy reforms with the Government of Pakistan.

V. 301 (a) (5): A description of the steps taken or to be taken, to ensure assistance provided under this Act is not awarded to individuals or entities affiliated with terrorist organizations.

The U.S. agencies providing assistance to Pakistan have standing guidelines and required procedures to prevent U.S. assistance from being awarded to terrorist organizations that will apply to all assistance provided during the timeframe of the Enhanced Partnership with Pakistan Act of 2009. These guidelines and procedures are applied throughout the process of planning and implementation of U.S.-financed projects and activities to avoid any awards of assistance to terrorists or their supporters, including people or organizations who are not specifically so designated by the U.S. Government, but who may nevertheless be linked to terrorist activities. In connection with the USAID award process: 1) a review of each potential recipient is made which considers, among other things, information concerning terrorist affiliation; 2) contractors and grantees are checked against the Specially Designated Nationals List (“SDN” list) administered by the Department of the Treasury’s Office of Foreign Assets Control; 3) terrorist financing risk assessments are conducted on all contractors and grantees in conjunction with USAID’s Office of Security and Embassy law enforcement agencies; and 4) legal responsibility for ensuring compliance with U.S. Executive Orders prohibiting transactions with, and the provision of support to, individuals or organizations associated with terrorism is taken by USAID contractors and grantees, through contractual provisions.

The State Department’s Bureau of International Narcotics and Law Enforcement (INL) also applies thorough vetting procedures for all project personnel and training participants, many of whom are members of Pakistan’s security forces often directly engaged in fighting terrorism. Vetting procedures take advantage of all available U.S. Government databases. Additionally, on-the-ground verification procedures are being implemented to ensure that U.S. Government humanitarian and other forms of assistance do not benefit extremist groups.

VI. 301 (a) (4): A projection of the levels of assistance to be provided to Pakistan under this Act broken down into the categories as described in the annual “Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance.”

The proposed allocation of U.S. civilian assistance to Pakistan for FY 2010 - FY 2014 addresses the ten indicators the Millennium Challenge Account (MCA) uses to determine the eligibility of a candidate country. The United States will provide assistance in each sector that will address several of these criteria, as the following chart indicates. For example, health programs will improve the “government’s effectiveness” by helping the Government of Pakistan provide for the basic needs of Pakistanis, will improve immunization rates, and will help the Government of Pakistan increase its budget allocations so as to increase “public expenditure on health.”

However, given the continued conflict along Pakistan’s border with Afghanistan and Pakistan’s economic vulnerability, assistance priorities can change rapidly. While this allocation reflects how the U.S. Government plans to use development assistance over the long term, the evolving situation on the ground will require continuing review of programs and very likely corresponding adjustments. In addition, overall levels of assistance estimated here are subject to annual appropriations.

U.S. assistance and other donor assistance and policy engagement cannot guarantee that the Pakistani Government will increase public expenditure on social sectors such as health. Hence, the chart below is only meant to indicate which areas of U.S. assistance will help the Government of Pakistan make progress towards MCA criteria.

Summary of Projected U.S. Assistance to Pakistan FY 2010-FY 2014

Activities	FY 2010-FY 2014	MCA Criteria Addressed
Investment in High Impact, High Visibility Programs	3,500	Political Rates, Girls Primary Education Completion Rates, Government Effectiveness, Rule of Law, Control of Corruption
<ul style="list-style-type: none"> • <i>Agriculture</i> 	2,000	
<ul style="list-style-type: none"> • <i>Support for Permanent Solutions to Pakistan's Energy Crisis</i> 	1,000	
<ul style="list-style-type: none"> • <i>Other</i> 	500	
Government Capacity Improvement	2,000	Civil Liberties, Political Rights, Voice and Accountability, Government Effectiveness, Rule of Law, Control of Corruption
<ul style="list-style-type: none"> • <i>Improved National and Local Governance</i> 	1,000	
<ul style="list-style-type: none"> • <i>Improved Security and Legal Institutions</i> 	1,000	
Focused Humanitarian and Social Services	2,000	Civil Liberties, Government Effectiveness, Girls Primary Education Completion Rate, Public Expenditure on Health, Primary Education, and Immunization Rates
<ul style="list-style-type: none"> • <i>Immediate Post-crisis and Other Humanitarian Assistance</i> 	500	
<ul style="list-style-type: none"> • <i>Increased Access to and Quality of Education and Health Services</i> 	1,500	
Total	7,500	

* **Note:** The figures provided were developed for general planning purposes and are subject to change based on Congressional appropriation levels, shifting requirements and needs as determined by the US Government, changes in security, and progress on the part of the Government of Pakistan in creating policy improvements that provide for greater development opportunities.

VII. 301 (a) (7): An analysis for the suitable replacement for existing Pakistani helicopters, including recommendations for sustainment and training.

Replacement of AH-1F and AH-1S Platforms

Pakistan currently has 32 AH-1 Cobra attack helicopters. Sustainment of these aircraft is difficult, but possible through commercial channels. Additionally, the U.S. Government will use \$75 million in FY 2009 Pakistan Counterinsurgency Funds to update a portion of the existing Cobra fleet. Pakistan will likely seek to replace its current AH-1F and AH-1S Cobras when the AH-1Z Cobra attack helicopter becomes available for export, probably in 2015.

The AH-1 Cobra continues to be used at a high operational tempo, and Pakistan has a need for more attack helicopters for counter-insurgency missions. In the interim between now and the availability of the AH-1Z, we are implementing a program to arm Pakistan's existing fleet of 24 Bell 412 helicopters funded by the Pakistan Counterinsurgency Fund (PCF).

Pakistan Army envisions acquiring 20 AH-1Z Cobras. The total cost of the acquisition will be at least \$500 million for the helicopters alone, with a total acquisition cost up to \$1 billion. The Pakistani Army will likely seek Foreign Military Financing (FMF) to fund the purchase of these helicopters.

Training and Sustainment

An Aviation Panther Team made up of U.S. and Pakistani rotary wing subject matter experts conducted an extensive review of Pakistani Army Aviation (PAA) needs from Jan-May 2009. The Department of State endorses the recommendations of their report as they relate to training and sustainment. The report analyzed the entire PAA helicopter fleet, but the recommendations are directly applicable to Pakistan's attack helicopters and are broadly summarized below:

- Pakistan operates too many airframes, some of which have outlived their useful life. Reducing these airframes and maximizing commonality and interoperability is key to improving training and sustainment.
- Pakistan should comprehensively review their training programs with a focus towards producing highly qualified aviators, flight engineers and maintenance personnel in 12 months or less.

- PAA should continue to utilize all available aviation flight, maintenance and professional development courses offered through the Security Assistance and Training Field Authority.
- Formal aviation maintenance management automation and the associated training are prerequisites for future PAA maintenance and sustainment of a modernized fleet, and should be conducted through formal courses conducted locally and with partner nations.
- Recently retired PAA aviators, flight engineers and maintainers should be actively recruited and returned to service as contractors.
- Reduction of the aircraft fleet, and focus on common, interoperable systems will reduce warehousing and storage requirements, and will increase maintainer efficiency across these systems.

Conclusion

Pakistan will likely maintain its current force of 29 AH-1F Cobra helicopters, supplemented by armed Bell 412 aircraft, until 2015 when the AH-1Z Cobra attack helicopter is expected to be available for export customers. Equipping the Pakistan Army with the AH-1Z any earlier than 2015 would require either increased production or diverting AH-1Zs from the USMC. Pakistan Army Aviation Command will continue to make incremental improvements in training and maintenance, partly by means of U.S. Government assistance through FMF, Pakistan Counterinsurgency Capability Fund, and other security assistance.