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U.S. AID TO PAKISTAN (PART II): PLANNING AND ACCOUNTABILITY

HEARING

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

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CONTENTS

	Page
Hearing held on March 16, 2010	1
Statement of:	
Feldman, Daniel, Deputy to the Special Representative for Afghanistan and Pakistan, U.S. Department of State; and James A. Bever, Director, Afghanistan-Pakistan Task Force, and Deputy Assistant Administrator, Asia and Near East Bureau, U.S. Aid	8
Bever, James A.	18
Feldman, Daniel	8
Letters, statements, etc., submitted for the record by:	
Bever, James A., Director, Afghanistan-Pakistan Task Force, and Deputy Assistant Administrator, Asia and Near East Bureau, U.S. Aid, prepared statement of	21
Feldman, Daniel, Deputy to the Special Representative for Afghanistan and Pakistan, U.S. Department of State, prepared statement of	11
Tierney, Hon. John F., a Representative in Congress from the State of Massachusetts, prepared statement of	4

U.S. AID TO PAKISTAN (PART II): PLANNING AND ACCOUNTABILITY

TUESDAY, MARCH 16, 2010

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 2154, Rayburn House Office Building, Hon. John F. Tierney (chairman of the subcommittee) presiding.

Present: Representatives Tierney, Kennedy, Van Hollen, Murphy, Welch, Driehaus, Quigley, Chu, Flake, Luetkemeyer, and Lynch.

Staff present: Andy Wright, Staff Director; Elliot Gillerman, Clerk; Talia Dubovi, Counsel; Scott Lindsay, Counsel; Steven Gale, Fellow; LaToya King, Fellow; Aaron Blacksberg, Intern; Bronwen DeSena, Intern; Adam Fromm, minority Chief Clerk and Member Liaison; Stephanie Genco, minority Press Secretary and Communications Liaison; Christopher Bright, minority Senior Professional Staff Member; and Renee Hayes, minority Fellow.

Mr. TIERNEY. A quorum being present, the Subcommittee on National Security and Foreign Affairs, the hearing entitled, "U.S. Aid to Pakistan, Part II: Planning and Accountability," will come to order.

I ask unanimous consent that only the chairman and ranking member of the subcommittee be allowed to make opening statements, and without objection it is so ordered.

I ask unanimous consent that the hearing record be kept open for 5 business days so that all members of the subcommittee will be allowed to submit a written statement for the record. Without objection, so ordered.

Good morning.

I want to thank you both for coming here today. We are going to continue our ongoing oversight of the planning, accountability, and effectiveness of U.S. aid to Pakistan.

On October 15, 2009, President Obama signed the Enhanced Partnership with Pakistan Act. It is informally known as the Kerry-Lugar-Berman Bill, tripling U.S. civilian economic and development assistance to Pakistan to $1.5 billion annually until 2014. While Kerry-Lugar-Berman was a largely bipartisan demonstration of U.S.' commitment to long-term assistance to Pakistan, serious concerns remain regarding the ability of USAID and the State Department to effectively and efficiently manage and account for such a massive increase of assistance.

In November 2009, I led a congressional delegation to Pakistan in order to investigate, among other things, the status of the U.S. assistance programs and the State Department's and the USAID's capacity to manage and oversee Kerry-Lugar-Berman funding. After four trips, it is apparent that the security environment in Pakistan has grown markedly worse in recent years.

During the congressional delegation, we met with Pakistan civilian leadership, its political opposition, and a wide variety of civil society members, NGO's, and international contractors. We also traveled to Peshawar to deliver aid supplies directly to the principal hospital that had been receiving wounded from the many bombings during the past year.

Following that trip, in December 2009 the administration announced its new regional stabilization strategy for Afghanistan and Pakistan. That plan will "increase direct assistance through Pakistani institutions," mainly the ministries and local NGO's, and focus more money on high-impact projects such as major energy and water infrastructure.

The plan also promises to reduce USAID's over-reliance on large international contractors as implementing partners.

I want to state at the outset that I am supportive of exploring a new AID approach and appreciative of the time and energy that our witnesses and the administration have put into crafting the administration's new strategy. That said, given the importance of U.S. national security interests in Pakistan and the magnitude of the U.S. taxpayer dollars authorized for development and economic assistance there, it is critically important that we carefully scrutinize plans for implementation of the new strategy, and particularly its accountability mechanisms. In short, we must make certain that the administration's new strategy will not send more money through weaker systems—systems that lack the internal controls developed with time and experience.

This presents several challenges. First, how will the State Department and USAID gain visibility into the operations of ministries that have historically resisted robust oversight? In light of Pakistan's sensitivities regarding impingements on its sovereignty, this challenge will be particularly acute.

Second, I am concerned about USAID's internal capacity to oversee and account for funds directed through Pakistan's ministries and local NGO's. For years USAID has been marginalized and stripped of personnel, while at the same time U.S. foreign policy has increasingly emphasized aid delivery in high-risk conflict and post-conflict countries like Iraq, Afghanistan, and Pakistan.

This challenge is only made more difficult by the current security environment that makes it very difficult for either USAID personnel or western ex pats to see let alone actively manage or oversee many projects, particularly those in the federally administered tribal areas [FATA], in the Northwest Frontier Province.

I plan to continue to work with Congress and the administration to bolster USAID's internal staffing and capability. We must reverse USAID's decline in the last decade if it is to serve as a central tool of U.S. foreign policy in South Asia or the Middle East, a task it has been assigned but not given the tools to fulfill.

I also want to highlight the recent challenges that the U.S. Embassy in Islamabad has had in obtaining visas from Pakistan for critical U.S. Government personnel from State, USAID, and the Department of Defense. Many of the visa applications have been denied or delayed, including visas for auditors, accountants, and inspectors—the very people that both the agencies and the Congress rely on to make sure that civilian assistance is spent as it is intended.

From the position as chairman of the National Security and Foreign Affairs Subcommittee, I want to make clear to the government of Pakistan that the U.S. civilian assistance comes as a package: funding, programming, and oversight. Pakistan cannot accept the funding but deny U.S. agency the personnel or the access for critical oversight.

I asked both witnesses here today to keep the subcommittee informed regarding developments with the visa applications for their agencies' respective personnel and to only fund programs and projects for which they have the personnel in place to perform the proper oversight.

The third issue of concern to me is to ensure that U.S. funds directed to Pakistan's ministries are supplementing Pakistan's funding of those ministries, not simply displacing it. At the end of the day, the government of Pakistan must own and take responsibility for each of the projects we embark on together. Instilling a sense of such ownership will be a critical and delicate challenge going forward.

I am a strong believer that the U.S.' civilian assistance to Pakistan is critical to the stabilization and the health of Pakistan, and to long-term U.S. national security interests. The Kerry-Lugar-Berman is a major down payment on our shared future. In the best circumstances, however, it is an extraordinary endeavor to create, manage, and oversee billions of dollars in development assistance programs, and Pakistan is not in the best of circumstances. That is why this subcommittee has made a great effort to exercise proactive oversight in order to ensure that critical accountability mechanisms are in place from day one.

With that said, I would like to defer to my colleague, Mr. Flake, for his opening remarks.

[The prepared statement of Hon. John F. Tierney follows:]

Statement of John F. Tierney
Chairman
Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform
U.S. House of Representatives

Hearing on "U.S. Aid to Pakistan (Part II): Planning and Accountability"

As Prepared for Delivery

March 16, 2010

Good morning. Today, the Subcommittee will continue its ongoing oversight of the planning, accountability, and effectiveness of U.S. aid to Pakistan.

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In short, we must make certain the administration's new strategy will not send more money through weaker systems – systems that lack the internal controls developed with time and experience. This presents several challenges.

First, how will the State Department and USAID gain visibility into the operations of ministries that have historically resisted robust oversight? In light of Pakistan's sensitivities regarding impingements on its sovereignty, this challenge will be particularly acute.

Second, I am concerned about USAID's internal capacity to oversee and account for funds directed through Pakistan's ministries and local NGOs. For years, USAID has been marginalized and stripped of personnel while at the same time U.S. foreign policy has increasingly emphasized aid delivery in high risk conflict and post-conflict countries like Iraq, Afghanistan, and Pakistan. This challenge is only made more difficult by the current security environment that makes it very difficult for either USAID personnel or Western expats to see, let alone actively manage or oversee, many projects, particularly in the Federally Administered Tribal Areas, or FATA, and the Northwest Frontier Province.

I plan to continue to work with Congress and the administration to bolster USAID's internal staffing and capability. We must reverse USAID's decline of the last decade if it is to serve as a central tool of U.S. foreign policy in South Asia and the Middle East – a task that it has been assigned, but not given the tools to fulfill.

I also want to highlight the recent challenges that the U.S. Embassy in Islamabad has had in obtaining visas from Pakistan for critical U.S. government personnel from State, USAID, and the Department of Defense. Many of the visa applications have been denied or delayed, including visas for auditors, accountants, and inspectors – the very people that both the agencies and the Congress rely on to make sure that civilian assistance is spent as it is intended.

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I am a strong believer that U.S. civilian assistance to Pakistan is critical to the stabilization and health of Pakistan, and to long-term U.S. national security interests. Kerry-Lugar-Berman is a major down payment on our shared future. In the best of circumstances, however, it is an extraordinary endeavor to create, manage, and oversee billions of dollars in development assistance programs, and Pakistan is not the best of circumstances. That is why this Subcommittee has made a great effort to exercise proactive oversight in order to ensure that critical accountability mechanisms are in place from day one.

Mr. FLAKE. I thank the chairman for holding this hearing and also undertaking the Co-Del a while ago. I wish I could have gone. It would have been helpful, and I look forward to the testimony today.

It was interesting, when this package was announced, certainly in Pakistan, I don't think any aid package has been met with such derision from the recipients. It certainly piqued our interest here to see how it was played there. Obviously , we know it was for domestic politics, but I think it is safe to say that it is difficult to see or to assume that any country could receive this amount of aid and be able to transition that quickly, as well as our aid agencies to ramp up this substantially in this short period of time, as the chairman said, in the best of circumstances, and these are not the best. So I look forward to the testimony and all you have to say.

Mr. TIERNEY. Thank you.

Just a quick aside to that. After the Kerry-Lugar-Berman bill passed—and this committee had quite a bit to do with that, as Jeff knows—we had an occasion to speak both in Pakistan and back here at home, but what is indicative, I think, is one occasion up in Cambridge, Massachusetts, where I spoke before a few hundred Pakistanis, when I got through one half of the room was mad that we had put these sanctions on, not the sanctions but the conditions, and the other half of the room was mad because they weren't strong enough. They were all Pakistani, so it depends on how you break down on that.

With that, we'd love to hear from our witnesses. We have 5-minute remarks, as you know.

We swear our witnesses in on this committee, so I ask the witnesses to please stand and raise your right hands.

[Witnesses sworn.]

Mr. TIERNEY. Let the record please reflect that both witnesses answered in the affirmative.

I would like to give a brief introduction of our witnesses.

Mr. Daniel Feldman serves as a Deputy to the Special representative for Afghanistan and Pakistan at the U.S. Department of State. He previously served as Director of Multi-Lateral and Humanitarian Affairs for the National Security Council, where he was responsible for global human rights issues. A former congressional staff member, Mr. Feldman has also served as counsel and communications advisor to the Senate Homeland Security and the Government Affairs Committee. Mr. Feldman holds a B.A. from Tufts University in Massachusetts and from Princeton University's Woodrow Wilson School and a J.D. from Columbia University Law School.

Mr. James Beaver currently serves as Director of the Afghanistan-Pakistan Task Force of the U.S. Agency for International Development, where he oversees more than $4 billion in U.S. assistance to Afghanistan and Pakistan. A member of the Senior Foreign Service, Mr. Beaver previously served as Senior Deputy Assistant Administrator for the Middle East, providing leadership for $2.5 billion in U.S. assistance to the Middle East and North Africa. Mr. Beaver holds a B.A. from Cornell University and an M.S. from Georgetown University.

Again, thank you both for making yourselves available today and for sharing your considerable expertise. You both are experienced

witnesses before Congress, so I know you know the drill. Five minutes if you can keep it reasonably close to that. We have all read or will read your remarks, and then we'd like to get to the question and answer period if we could.

Mr. Feldman, let's start with you, please.

STATEMENTS OF DANIEL FELDMAN, DEPUTY TO THE SPECIAL REPRESENTATIVE FOR AFGHANISTAN AND PAKISTAN, U.S. DEPARTMENT OF STATE; AND JAMES A. BEVER, DIRECTOR, AFGHANISTAN-PAKISTAN TASK FORCE, AND DEPUTY ASSISTANT ADMINISTRATOR, ASIA AND NEAR EAST BUREAU, U.S. AID

STATEMENT OF DANIEL FELDMAN

Mr. FELDMAN. Thank you very much, Chairman Tierney and Ranking Member Flake, for the opportunity to be here and to discuss our efforts to enhance planning and accountability of U.S. development assistance to Pakistan.

I will give a more pared-down and focused version of the written testimony, just so we have a kind of baseline for our conversation afterwards, and then I will also welcome the opportunity to speak afterwards once we start Q and A. I am happy to address the visa situation or some of the other specific issues you raised in your opening statement.

As you know, Pakistan faces threats of many forms. The security situation weighs heavily on all Pakistanis. Too many of the country's citizens do not have access to functioning health or education systems. Pakistan's energy crisis leaves businesses and homes in the dark many hours in the day, and the looming water crisis poses an existential threat to Pakistan and its neighbors. All these factors increase the stakes on the effectiveness of our assistance programs. Your committee rightly identifies the crucial role of proper planning and oversight in the success of our efforts.

Since 2002 when the U.S. reengaged with Pakistan, a large percentage of our civilian assistance has been tied up in large contracts and grants with U.S. organizations that have produced uneven results, have lacked flexibility, have not provided optimum value, and have not built sufficient Pakistani capacity. Much of our past programming did not address the issues most important to Pakistanis, such as energy and water.

Pakistanis believe that a high percentage of U.S. resources do not reach them, given our work and our people have been mostly invisible to the average citizens of the country. The average Pakistani has perceived our assistance as being too strongly tied to their country's military and intelligence cooperation with the United States rather than being aimed for the long-term well-being of the country's citizens.

All this pointed to a very large and expensive missed opportunity which we have tried to rectify over the course of the past 14 months. U.S.G. assistance in Pakistan now aims to expand our relationship beyond predominantly security issues, providing instead a more balanced approach that will help the Pakistani people overcome the political, social, and economic challenges that threaten the country's stability.

As you referenced, in the regional stabilization strategy that we circulated earlier to the Hill, we hope to address first of all the immediate energy, water, and related economic crises; second, support broader economic and political reforms that are necessary for political growth, sustainable growth; three, improve health care and education; four, help Pakistan respond to the humanitarian challenges caused by extremist violence and natural disasters, and; five, combat extremism.

We have a remarkable opportunity before us to deliver this more effective and balanced environment for delivering civilian assistance. This is formed, in large part, as you noted, by the passage of the Enhanced Partnership with Pakistan Act, the Kerry-Lugar-Berman legislation, as well as the initiatives that have been undertaken thus far by President Obama, Secretary Clinton, Ambassador Holbrook, and others in the executive branch.

How we are responding to these opportunities is through several broad categories of reformulated vision toward assistance. First of all is the emphasis on smaller and more flexible contracts. To provide more flexibility and improve monitoring and oversight, we are shifting away from large U.S.-based contracts to smaller, predominantly Pakistani ones, with fewer sub-grants and subcontracts. These will be managed by our increased number of staff in the field.

Second is decentralization. Within the next few months, USAID teams will be placed in Lahore and Karachi, in addition to the current offices in Islamabad and Peshawar. A decentralized programming platform will enable more location-appropriate development activities at the provincial and district level, make it easier for U.S. officials in the field to oversee and monitor programs and prevent fraud, and allow more regular engagement between our personnel and the populations we aim to benefit.

Third is the meaningful assistance. Relevant and effective assistance must materially address the issues that count most to the average Pakistani. The overwhelming message conveyed to the Secretary and Ambassador Holbrook during their visits to Pakistan was the need for assistance with the country's chronic power and water shortages. In response, we have begun projects to reduce the hours of power blackouts, make more potable water available to poor communities, and improve the availability and management of irrigation water for farms.

As these projects move quickly from feasibility to implementation, we will begin the same process for projects that address other priority Pakistani needs, including medical and educational facilities.

Fourth is the increased assistance, as you have mentioned, provided through and to Pakistani institutions. In order to maximize the amount of our resources that will remain in Pakistan, we are transitioning our assistance modalities. We will do so by decreasing our reliance on large international contractors and aim instead to build institutional capacity and sustainability by increasing direct assistance to Pakistani implementing partners. While these arrangements involve transfers to Pakistani institutions, this is not blank check budget support; instead, they are the results of negotiations with USAID regarding how the funds will be spent, how

progress will be monitored, and how the financial arrangements will be implemented.

In the case of budget support transfers, there will be targeted institutions and uses rather than general budget support, as was previously provided in the past.

All this goes to the issue of improved accountability and oversight. Our stated policy goal of working more through Pakistani institutions does have the potential to contribute to corruption, as we recognize. To mitigate this risk, we are increasing the number of direct hire contracting staff and Inspector General personnel that will reside in Pakistan.

We are also expanding the use of Pakistani public accounting firms to conduct financial audit of funds, provide to Pakistani NGO's, train Pakistani public accounting firms and Pakistan's Auditor General on how to conduct audits to U.S. standards, help the Pakistan Auditor General conduct financial audits of funds provided to Pakistan government entities, and build the capacity of the Pakistan government to carry out or assist with investigations and coordinate audits and investigations among the U.S. Inspectors General and the GAO.

In the past 2 months, over $26 million in contracts to buttress audit and monitoring capabilities in Pakistan have been awarded using ESF.

The Secretary, Ambassador Holbrook, our entire team at the Special Representative's office who work on Pakistan believe we have a duty to ensure that USG resources are used for the purposes intended by Congress, and the reforms I have outlined will, over time, decrease cost for assistance programs, increase the amount of U.S. assistance directly benefiting the Pakistani people and Pakistani institutions, and ensure much better development effects.

I am happy to talk about any of the details during the question and answer.

[The prepared statement of Mr. Feldman follows:]

U.S Aid to Pakistan (Part II): Planning and Accountability
Subcommittee on National Security and Foreign Affairs

March 16, 2010

Remarks by Deputy Special Representative for
Afghanistan and Pakistan Dan Feldman

Chairman Tierney and Ranking Member Flake:

Thank you for your invitation to appear before this subcommittee to discuss our efforts to enhance planning and accountability of U.S. development assistance to Pakistan,. one of the poorest and most fragile countries in Asia. Pakistan faces threats of many forms: the security situation weighs heavily on all Pakistanis; too many of the country's citizens do not have access to functioning health or education systems; Pakistan's energy crisis leaves businesses and homes in the dark many hours of the day, and the looming water crisis poses an existential threat to Pakistan and its neighbors. All these factors increase the stakes on the effectiveness of our assistance programs. Your committee rightly identifies the crucial role of proper planning and oversight in the success of our efforts. I will outline today the policy direction that affects how we deliver aid to Pakistan and how we have changed the focus of our assistance over the past 14 months, with an emphasis on accountability and measurable results.

Our Policy

USG assistance in Pakistan aims to expand our relationship beyond predominantly security issues, providing instead a more balanced approach that will help the Pakistani people overcome the political, social and economic challenges that threaten their country's stability. Our civilian assistance will: (1) help address the immediate energy, water, and related economic crises; (2) support broader economic and political reforms that are necessary for sustainable growth; (3) improve the prospects for better health care for vulnerable Pakistanis and better education for the country's nearly 100 million school-age population; (4) help Pakistan respond to the humanitarian challenges caused by extremist violence and natural disasters; and 5) combat extremism.

Understanding past problems with U.S. assistance

Pakistanis of a certain age have a generally favorable impression of our assistance in the early 1990s and before. They remember USAID personnel in every province and still revere signature U.S. efforts such as the Lahore University of Management Sciences and the Agricultural School at Peshawar University. The recent period is a different story.

Since 2002, when the US re-engaged with Pakistan, a large percentage of our civilian assistance has been tied up in large contracts and grants with U.S. organizations that have produced uneven results, have lacked flexibility, have not provided optimum value, and have not built sufficient Pakistani capacity. Much of our past programming did not address the issuesmost important to Pakistanis, such as energy and water. Pakistanis believe a high percentage of U.S. resources does not reach them, given our work and our people have been mostly invisible to the average citizen of the country, and the average Pakistani has perceived our assistance as being strongly tied to their country's military and intelligence cooperation with the U.S. – rather than being aimed toward the long-term well being of the country's citizens. Finally, our sparse presence in Pakistan did not enable the necessary oversight to identify and address problems or to build relationships. Combined, all of this points to a large and very expensive missed opportunity.

The Opportunity Before Us

The confluence of several opportunities offer hope for a more effective, balanced, and mature environment for deliveringcivilian assistance to Pakistan and the cultivation of U.S.-Pakistani relations.

First is President Obama's commitment to a new kind of relationship between Pakistan and the United States, specifically our desire to "unleash the potential of the Pakistani people." Second is the passage of the "Enhanced Partnership with Pakistan Act," under the leadership of Senators Kerry and Lugar and Representative Berman, which outlines the direction and parameters for our assistance and explicitly supports the enhancement of civilian-led democratic governance in Pakistan. Finally, the frank discussions of Secretary Clinton and Ambassador Holbrooke during their visits to Pakistan recognized shortcomings of past U.S. assistance efforts, while underscoring Pakistan's responsibilities. The Pakistani public has welcomed this level of honesty.

How we are responding to opportunities

Smaller, More Flexible Contracts

To provide more flexibility and improved monitoring and oversight, we are shifting away from large, U.S.-based contracts to smaller, predominantly Pakistani ones with fewer sub-grants and sub-contracts. These will be managed by our increased number of staff in the field. The need for flexibility is simple: in a dynamic environment like Pakistan, especially in the western part of the country, we must be able to adapt our programs as conditions change.

Decentralization

Within the next few months USAID teams will be placed in Lahore and Karachi. This is in addition to the current USAID offices located in Islamabad and Peshawar

A decentralized programming platform will: enable more location-appropriate development activities at the provincial and district level; makes it easier for U.S. officials in the field to oversee and monitor programs and prevent fraud; and allow more regular engagement between our personnel and the populations we aim to benefit. By mid-year, empowered deputy USAID Mission directors will be operating in Karachi, Lahore and Peshawar along with a technical and management-support team consisting of a combination of Americans and Pakistani Foreign Service Nationals.

Meaningful assistance

Relevant and effective assistance must materially address the issues that count most to the average Pakistani. The overwhelming message conveyed to the Secretary and Ambassador Holbrooke during their visits to Pakistan was the need for assistance with the country's chronic power and water shortages. In response, we have begun projects to reduce the hours of power blackouts , make more potable water available to poor communities, and improve the availability and management of irrigation water for farms. As these projects move quickly from feasibility to implementation, we will begin the same process for projects that address other priority Pakistani needs, including medical and educational facilities. An integral element of our negotiations is the need for concrete demonstrations of commitment from the GOP that our investments will be sustained. For example, our Energy Dialogue last Fall not only produced a mutually agreed list of high-impact infrastructure investments by the US, but also produced agreement on key policies to be undertaken by the GOP. Following this meeting, the GOP has

adhered to its plan (agreed to with the World Bank and Asian Development Bank) to increase tariffs on electricity and bring consumer prices in line with costs.

Increased assistance provided through and to Pakistani institutions

In order to maximize the amount of our resources that will remain in Pakistan, we are transitioning our assistance modalities. We will do so by decreasing our reliance on large international contractors, and aim instead to build institutional capacity and sustainability by increasing direct assistance through Pakistani implementing partners. This has already started. By the end of March, we will have completed arrangements with:

- the FATA Secretariat to provide roads and electricity to embattled South Waziristan ($55 million);
- the Ministry of Power and Works and Water and Power Development Authority for rehabilitation of Tarbela Dam ($16.5 million);
- the Pakistan Electric Power Company to rehabilitate three thermal plants ($52 million); and
- the Khushhali Bank to provide relief to breadwinners and shop owners who suffered losses in sectarian violence in Karachi ($13 million).

While these arrangements involve transfers to Pakistani institutions, this is not blank-check budget support. Instead, they are the result of negotiations with USAID regarding how the funds will be spent, how progress will be monitored, and how the financial arrangements will be implemented.

In the case of budget-support transfers, they will be for targeted institutions and uses rather than general budget support, as was previously provided in the past. Our most recent transfers included $44 million for IDP assistance in NWFP, and $85 million for the Benazir Income Support Program to provide cash stipends to the most impoverished families.

By contrast, as much as 35% of a contract or grant to a U.S. organization supports that organization's home office operations. Add to that the salaries of international experts who may be paid as much as $1,000 per day, and you will see why Pakistanis do not believe that they are receiving the full benefits of US assistance.

Since one of the subjects of today's hearing is *planning*, let me briefly explain how we are changing our methodology to work more closely with the Government of Pakistan. In the past, our planning was not always reconciled with that of the Pakistanis– to their great frustration. As we move forward to program a significant quantity of our resources through GOP institutions, we are quickly learning to work in concert with their planning and budgeting systems. We have learned that hundreds of projects have been developed, costed, and prioritized through the GOP process known as "PC-1's." The GOP now shares their PC-1s , allowing us to further evaluate them against our own sectoral, geographic, and other priorities towards funding decisions. We are also learning from other donors, such as the World Bank and DfID, who have been negotiating "direct assistance" arrangements with Pakistani government institutions for years. Their arrangements have included performance and qualitative targets that must be met before resources are released.

Each direct assistance activity will be a separate negotiation, and each Pakistani ministry and non-governmental institution must be certified as meeting accountability and transparency requirements before receiving funds. Nineteen Pakistani governmental and non-governmental organizations have successfully undergone "pre-award surveys" to date, which involve in-depth examinations by a team of certified US and Pakistani CPAs of the organizations' management structures, procurement systems and financial controls. Pakistani institutions as varied as the Higher Education Council, the government of NWFP, the Benezir Bhutto Support Fund, and the FATA Secretariat are among those that have successfully undergone pre-award surveys. Another 50 or so organizations have been prioritized to undergo pre-award surveys in the coming months.

To be clear, this does not obviate the involvement of U.S. institutions in Pakistan's development efforts. There are important subject areas where Pakistani expertise does not yet exist. In those instances, we will either tap directly into U.S. expertise through grants or contracts, or help Pakistani institutions develop systems for identifying foreign assistance needs and then contracting to meet those needs.

Improved Accountability and Oversight

Our stated policy goal of working more through Pakistani institutions, does have the potential to contribute to corruption. To mitigate this risk, we are increasing the number of direct-hire contracting staff and inspector-general personnel that will reside in Pakistan. We are also expanding the use of Pakistani public accounting firms to: a) conduct financial audits of funds provided to Pakistani NGOs; b) train

Pakistani public accounting firms and Pakistan's Auditor General on how to conduct audits to U.S. standards; c) help the Pakistan Auditor General conduct financial audits of funds provided to Pakistan government entities, expand investigatory coverage, provide fraud-awareness briefings and build the capacity of the Pakistan government to carry out or assist with investigations; and d) coordinate audits and investigations among the U.S. inspectors general and the Government Accountability Office (GAO). In the past two months, over $26 million in contracts to buttress audit and monitoring capabilities in Pakistan have been awarded using ESF.

Audit coverage and annual audit plans will be developed in conjunction with U.S. Inspector General Offices in USAID, the Department of State, the Department of Defense, and the GAO. The USAID Inspector General 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 GOP Supreme Audit Institute to ensure that the audits it conducts of GOP entities managing U.S. funds fully meet USG regulatory and accountability standards.

The final element of our oversight and accountability strategy involves the expansion of the GOP's capacity to address economic crime. The U.S. Department of the Treasury's Office of Technical Assistance is in the process of establishing a program to improve GOP capacity to address the threat of illicit finance and improve public financial management.

Ambassador Robin Raphel – our Coordinating Director for Development and Economic Assistance in Islamabad – has day-to-day responsibility for ensuring accountability, oversight, and impact. She works closely with the USAID Mission in Islamabad, the broader country team, as well as with all of us here in Washington.

Conclusion

The Secretary, Ambassador Holbrooke, and all of our Team who work on Pakistan believe we have a duty to ensure that USG resources are used for the purposes intended by Congress. The reforms that I have outlined will, over time, decrease costs for assistance programs, increase the amount of U.S. assistance directly benefiting the Pakistani people and Pakistani institutions, and ensure much better development effects.

Pakistan is a complex, dynamic, and difficult operational environment, which will sometimes constrain our ability to provide the high level of oversight of projects that we would otherwise require. But we are making every effort to ensure that the required operational flexibility is matched with the highest dedication to accountability. And we are committed to taking the necessary corrective actions when a problem occurs by pursuing prosecutions, terminating agreements, or by amending or redirecting our assistance programming.

Thank you for this opportunity to appear here today and I look forward to answering your questions.

Mr. TIERNEY. Thank you, Mr. Feldman.
Mr. Bever.

STATEMENT OF JAMES A. BEVER

Mr. BEVER. Thank you very much, Chairman Tierney, Ranking Member Flake, other distinguished members of the committee. Thanks for your invitation to USAID to speak with you this morning.

Chairman, I particularly appreciate your longstanding support for rebuilding America's Foreign Assistance Agency, especially the staffing. Thank you, sir.

When USAID reopened its mission in Pakistan in 2002, I had just come back from serving 4 years in India as the Deputy Mission Director. I was then serving as the Director for South Asian Affairs and, of course, Pakistan and Afghanistan had become our biggest responsibilities at that time. As you know, we started out with a very large cash transfer at that point to the government of Pakistan, and then gradually grew that into primary health care and education attention, in coordination with other donors.

Following President Obama's strategy review, we now have a focus on forging new partnerships with Pakistan and with Pakistani entities, as well as rebuilding the capacity of Pakistan public institutions, as well as its private institutions, in affecting lives of individual Pakistanis.

I am going to talk just briefly about the civilian assistance strategy, about local implementation through Pakistani institutions, some of the safeguard mechanisms, FATA development, and a little bit on democracy governance, as you know, under the Enhanced Partnership with Pakistan Act, which authorizes tripling of U.S. civilian assistance, bringing our funding up to $1.5 billion annually as a target.

Our three foci, if you will, for our assistance is on infrastructure and constraints to infrastructure for development in Pakistan; second is on building the capacity of the government of Pakistan to deliver key and appreciated services to its people and to improve the connectivity between the people, the governed, and the governing; and, finally, to improve the capacity of the Pakistan institutions to be able to implement on their own.

Terms of our presence in the country. As you know, at the time actually that I served in Pakistan, which was as a Division Chief for energy assistance about 25, 26 years ago in the War against the Soviets next door, we had many, many American AID officers in Islamabad and elsewhere around the country. And as a matter of fact, we were the second-largest staffed operation in the world next to Egypt at that time. Today, although of course we had a large hiatus in the 1990's, we have about 30, 35 U.S. Foreign Service officers at our AID operation, plus another couple dozen what we call U.S. personal service contractors, and over 100 Foreign Service nationals. This is much smaller than we had back in the years during the 1980's.

But thanks to the Enhanced Partnership Act, we do plan to increase these levels, in consultation with the Embassy colleagues and Ambassador Patterson and our colleagues here in Washington. We will be increasing our American staff significantly, as well as

our Pakistani staff, which is extremely important. Our Pakistani staff are world class, are our eyes, our ears, and our brains, and our continuity from one American rotation, if you will, to another.

So we will be building up our project management capability, our financial oversight capability, and our procurement capability, and our legal capability. I can go into more of that if you would like.

We will also be focusing more on the provinces, not just the Federal Government in Islamabad, which is extremely important, but also the legitimate provincial government authorities who, for example, have responsibility for education in the country of Pakistan.

In terms of local implementation, we will be moving to find ways—and we are already aggressively pursuing this—to diversify our mechanisms and our partners. I think this is sound U.S. foreign policy. I think it is sound U.S. foreign assistance technique. It is not to the exclusion of our existing partners. There will be a role for them, too. But we are trying to broaden and diversify the players who can deliver the American assistance program and also strengthen their capabilities, whether it is in the government, private sector, or civil society in Pakistan.

In terms of oversight and monitoring, my colleague, Dan Feldman, has already addressed those. I can go into some of those in more detail later. I just want to stress that we believe in AID and that the IG and the GAO are our best friends. They are like our family physician that travel with us. We may not always like the techniques they use to identify what is needed in our health, but it is good to know what the diagnostics are so we can deal with them. We coordinate closely with them, accordingly.

In FATA, I will just say that we are very proud, despite very dangerous situations in the FATA—the Federal Administered Tribal Areas. We have been able to implement over $140 million of social and economic support projects, mostly at the community level, in all seven of the FATA agencies and in all six of the Frontier regions.

I have to stress, Mr. Chairman and other Members, in my own view, having spent 9 years living in South Asia and in other dangerous parts of the world additional years, this is the bravest, most courageous, riskiest, but most overdue action that I can think of in the U.S. foreign assistance program.

In democracy governance, one thing I would like to just state specifically is that we will continue to support the government of Pakistan in its development of its own parliament, and we are providing assistance to the government of Pakistan to construct a capability so that there are staff support for the members of its [foreign word], of its parliament, and to help them with rule of law, however, complicated and challenging that is, because it is those values that connect most deeply among the Pakistani people when you think of democracy and governance.

In closing, I just want to say thank you again for inviting us, and I want to just dedicate our testimony today to those very brave American third country national and Pakistani staff at our embassy, including our AID mission, who risk their lives every day to carry out U.S. foreign policy and to make Pakistan a better, more representative government.

Thank you, sir.

[The prepared statement of Mr. Bever follows:]

Statement for the Record by
USAID Afghanistan Pakistan Task Force Director James Bever
Before the House Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs

"U.S. Assistance to Pakistan"
March 16, 2010

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 America, 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.

Mr. TIERNEY. I want to thank both of the witnesses. Mr. Bever, I appreciate your latter remarks. I am sure Mr. Flake and the other Members here do, as well.

We don't mention often enough the serious sacrifices being made by those families, the important role they play, even though we do have Admiral Mullen and most of our generals over there talking about the fact that this cannot be won solely militarily and that we have to have people willing to do those jobs, so I appreciate your bringing that up.

We are going to start the 5-minute rounds of questioning, and I would like to start just by reading to you both a quote from an economic officer at USAID who filed this dissenting cable on October 2, 2009. In it, it says: the USAID mission in Pakistan is receiving contradictory objectives from Ambassador Holbrook.

On the one hand, it is expected to achieve high impact counter-insurgency and broad-based economic development objectives as quickly as possible, especially in those areas more susceptible to radical Taliban recruitment. On the other hand, it is asked to do this by working through national and local government channels and host country contractors and NGO's and not through U.S. contractors and NGO's, to avoid the overhead charges of the latter and to improve the institutional capacity and legitimacy of government agencies and local institutions. These are all worthy goals and USAID can achieve them all; however, they are contradictory objectives without a reasonable transition period for the latter.

Can you give me your reaction to that statement, and what we are doing to address those concerns?

Mr. FELDMAN. Chairman Tierney, we certainly value the dissent channel quite a bit. This was an issue that came up at the very outset of our move to push toward more local Pakistani. We have had a variety of meetings in post and briefings with staff and Members about this. I think that was a concern at the very outset of this process.

Mr. TIERNEY. It was a concern while we were there at about that time.

Mr. FELDMAN. Yes. The announcement initially was at the end of the fiscal year, so right around September 30th, October 1st, at the time this cable was written, there was a lot of anxiety I think because of a lack of communication about exactly what would be done, how quickly we were going to start this initiative. I think that we have certainly worked our way through virtually all those concerns at this point.

Primarily, we started a review of every major contract through—and I think there were a lot of existing contractors, including NGO's and others, who were quite concerned that the contract may end in 90 days and they wouldn't be able to do it. We have thus far only terminated one contract in the last 4 or 5 months since this review has happened. It was only a $2.5 million contract. Everything else has continued through the next year.

Mr. TIERNEY. Nobody has been asked to wind down or——

Mr. FELDMAN. None of them are winding down, and we said that if they were going to wind down we would give them 45-day notice. None of that has happened, and we don't have the intent for anything like that to happen. What we have done is, I think, put the

international contracting community on notice that for new contracts, and as we start expending and disbursing most of this new Kerry-Lugar-Berman money and others, we are looking to first issues to Pakistani implementers and NGO's to fill the capacity, as I discussed.

We have always said that we will reserve the right that if there is not the ability or capacity there that we will continue using international contractors. We work actively with the international NGO community, as well as the local Pakistani NGO's. In fact, we have on Ambassador Holbrook's staff someone dedicated just to NGO relationships and working with NGO's on these issues. So we are in no way trying to terminate that, but we are trying, as I outlined in the opening statement, to really build local capacity and to do that as quickly and effectively as possible.

So I think that we are well beyond those problems, but I refer to Jim to see what his sense is.

Mr. TIERNEY. Thanks. Can both of you gentlemen assure the subcommittee that you will keep it informed regarding the visa issue, developments on that, and regarding your agency's personnel, and give us some assurance that you will only fund those programs and projects for which personnel are in place to perform the adequate oversight?

Mr. FELDMAN. On the issue of visas, there has been a backlog, and it was very problematic, but we have made very substantial progress over the last few months on the visa issue, working very closely with the government of Pakistan. Ambassador Haqqani is in our office very frequently giving us updates on that issue. I think there was a backlog of about 500 visas in January. It is down to, I believe, less than 200 at this point. So we are actively moving through those, and we have made it very clear that this is in the best interest not only of us but of the Pakistanis, since many of these are auditors, in order to be able to go through——

Mr. TIERNEY. That is exactly the point. We need some assurances that we are not going to start spending this money without those auditors and other people in place to monitor it.

Mr. Bever.

Mr. BEVER. If I could just comment, I share Dan's concerns about this. Of particular concern to us is when we have visa problems for Inspectors General from Manilla or of our security people that we need from our Washington security office who we need to get out to post to consult with our own internal security people to make sure that the lives of our employees, be they Pakistani or American, are safeguarded as much as possible.

Without the ability to have an independent Inspector General function out there at post, or without the ability to keep our people as safe as is reasonable given the risks, we will not be able to function as productively, and we would have to change the way we do our business or even think through what business we do.

Mr. TIERNEY. Can I take that as a yes, that we will not be spending this money where there is not the adequate personnel for auditing and oversight in place.

Mr. FELDMAN. Yes, absolutely.

Mr. TIERNEY. Mr. Feldman says yes. Mr. Bever, do you say yes, as well?

Mr. BEVER. Yes, sir.

Mr. TIERNEY. Thank you.

Mr. Flake.

Mr. FLAKE. Thank you.

Thank you for the testimony.

When we are talking about building capacity with the institutions there, you mentioned they are trying to hire firms, Pakistani CPA firms and others, to audit a lot of this. How is that going so far? How much capacity needs to be built there before you can transition a lot of the work from international contractors? Mr. Feldman.

Mr. BEVER. Maybe I could start, Congressman.

Mr. FLAKE. Go ahead.

Mr. BEVER. Well, AID has a long history of doing pre-award audits, for example, and of seeking to build local capacity, including through our Inspector General operations. They often will reach out to local CPA firms affiliated with international CPA firms, Americans in particular, so in many of the countries we work, including in Pakistan, there is some depth there for us to work with.

We now have in place a number of local Pakistani CPA firms, and we have asked our IG to give us the—I would say the Good Housekeeping Seal of Approval on those local Pakistani firms so that we know that when we use them, they are ones that our own IG, Inspector General, operation is comfortable with. So we would often go to those that have also worked, for example, to do the audit, financial audit work for the World Bank or for the British or for the Asian Development Bank. So we try a number of different ways to go about this to make sure we get good, high-quality operations to do that internal audit.

Mr. FELDMAN. If I could just add, although I defer to Jim on the specific numbers, but we have been actively seeking to increase those number of pre-vetted Pakistani CPA firms. I think it has gone from five or six at the end of last year to close to twenty at this point. I have seen between 16 and 20. I know we are in the process of vetting quite a number of them. And then, in terms of the actually pre-award surveys, I believe over 100 Pakistani organizations have been identified for pre-award surveys, and about roughly 40 are completed or underway, and so the process of vetting on the financial and accounting side is very much underway at a very robust level.

Mr. FLAKE. We mentioned the reaction to the conditions that was placed on the money by the Pakistani government. Have they reconciled with that? Are they okay? And is their displeasure manifested in other areas, or areas other than visas? Just tell me how that process is going.

Mr. FELDMAN. I was actually very involved in the aftermath of the Kerry-Lugar-Berman legislation and I worked with Chairman Berman, Chairman Kerry, and Foreign Minister Karachi when he was here to try to work through some of these issues, including the ultimate production by the Congress of the joint explanatory statement on Kerry-Lugar-Berman.

It was a backlash which we perhaps should have anticipated but we didn't. It had been so long in the making and there had been so much news about it, that we didn't expect this. I think it is fair

to say that a large part of this was jammed up for domestic political purposes that, once we were able to get the explanatory statement out and once people were actually able to focus on what is actually in it.

I think there was so much misinformation about this impinging on the sovereignty of the Pakistani government on what exactly, how onerous the conditions might be, what sorts of reporting there may be. Once we were able to get through the initial few weeks and actually get people to read what the legislation actually did and what it would require and what the opportunities are, it has been a much more cooperative, facilitative environment.

I think having Senator Kerry there to explain it was very, very helpful, including with the Parliament. The Secretary's trip I think really was a kind of turning point, and at one point she said quite bluntly in a town hall, "Look, if you don't want it, don't take it." And I think since that point we have really kind of turned the corner and we have not seen any sort of kind of negative press like this over the last few months.

Mr. BEVER. If I might just add, there is one important evolution now over about 8 years ago. Eight years ago, when we did the first big cash transfers, $600 million, it was very difficult to get the Pakistan government to cooperate with us in certain ways we needed in order to have rights of audit in the right places we had to have them, but we now have an agreement with the Supreme Audit Institute of the Government of Pakistan that will allow us, in fact, to audit and to have our auditors and our CPA firms and the Pakistan CPA firms enter into audit wherever we feel we need to have it. That is an important step forward. And we have learned some lessons, and so has the government of Pakistan in this regard.

Mr. FLAKE. Very quickly, Mr. Bever, the security situation in the FATA for our contractors and grantees, is it improving generally or does it go up and down depending on government action in the area?

Mr. BEVER. I would say the latter. It goes up and down. It is, of course, a risky place and a sometimes dangerous place. That has not stopped us from being able to help the FATA Secretariat and the FATA Development Authority from being able to do what they need to do with our help, but it requires a great deal of sensitivity, and particularly in Waziristan, of course, because of the fighting that has made it especially complicated. We are very mindful of the risks at play there, including for the Pakistanis that work with us.

Mr. FLAKE. Thank you.

Mr. TIERNEY. Thank you.

Mr. Quigley, you are recognized for 5 minutes.

Mr. QUIGLEY. Thank you, Mr. Chairman.

Mr. Chairman, I join you and other Members in thanking your efforts in Pakistan. We recognize how difficult they are, but to get past the specific points today, how do we overcome what seems to be overwhelming distrust by the Pakistani people toward our Government and our aid?

My numbers may be old, but they are from last year that 64 percent of the public see the United States as an enemy, and 9 percent of them see us as a partner. Obviously, this comes from many rea-

sons. You would know better than myself, but obviously the drone attacks contribute to this significantly, and whether or not you can argue that those are a good idea, they seem to be having a very negative impact on how people react to us.

And if, at least in large part, these efforts are to win the hearts and minds of the Pakistani people, gentlemen, doesn't it seem like they just blow away all your efforts and no matter what you do and how much money we spend and how efficiently we spend it, the drone attacks seem to be literally destroying our efforts to win the hearts and minds?

Mr. FELDMAN. Congressman, I can't comment on the drone attacks, but I would say that the effort to rebuild our reputation and nation relationship with the Pakistani people is the chief underlying framework of how we are proceeding with our relationship there. And it goes back, again, to the question, I think, that Congressman Flake asked on Kerry-Lugar-Berman. There is a great degree of skepticism in Pakistan about America, but it is——

Mr. QUIGLEY. Do you think these numbers are in the ball park?

Mr. FELDMAN. I think they are in the ball park, yes. I think that we are working on moving them up. I think we have seen some increases. When Secretary Clinton was there, they certainly rose. I am not sure where they currently stand right now. But yes, the perception of Americans is not a positive one, and it is formed by a history where they have seen our interest wax and wane based primarily on our security and military interest. They see it as a very self-interested relationship.

They don't believe that we are interested in a longer-term relationship, and that is why so much of our work has been to emphasize that this is a long-term relationship, that it is based on a civilian relationship as well as a security one, that it is a people-to-people relationship. This was the entire theme of the Secretary's trip last fall, where she talked about turning the page and building this civilian relationship.

I think that it will take time to do, but I think that we are going in the right direction and it has already showed some successes. I think it is, in part, given our many high-level principal visits. Ambassador Holbrook has been there, I think, eight times in the past year, is headed there again at the end of the month. Admiral Mullen has been there a number of times, the Secretary, obviously, President Obama referencing it.

Obviously, the interest of Congress in Kerry-Lugar-Berman, but as well as the ongoing strategic dialog, which Secretary Clinton is hosting here next week with Foreign Minister Karachi leading the Pakistani delegation, and trying to demonstrate the breadth and depth of the issues that we have to discuss, rather than seeing it through the very narrow military security prism.

In terms of how we are seeking to use the Kerry-Lugar-Berman money, it is to do exactly what you have said in some part. It is to have impact, use the money, obviously, efficiently and to build sustainability. But as we have laid out in our regional stabilization strategy and others, we have also highlighted these high-visibility, high-impact projects in five or six different key areas, which is meant to demonstrate what America's commitment is over the long term in energy, as the Secretary announced on her visit, with $125

million toward efficiency mechanisms that put many more watts on the grid, but also in water and agriculture and health and education and governance. And we are in the process of developing those right now, as we are also continuing the work that we have done in development in that country over the years.

So we are very cognizant of that relationship, of the perception of the Pakistani people, and of trying to change that, and we are there for the long term, and we think that over time, as that becomes evident, that those perceptions will change.

Mr. BEVER. If I might just add to that briefly, Chairman, I would just say what will be important to the Pakistani people, in my own experience, is that long-term commitment, and that is why I think the enhancing partnership with Pakistan is so important.

Mr. QUIGLEY. Excuse me. You don't want to react to my question as to how much of an impact the drone attacks have, either?

Mr. BEVER. I cannot comment on that, sir. I just know that what we are talking about here do not lend themselves to dronable solutions.

Mr. QUIGLEY. And, Mr. Chairman, I know my time is up.

Mr. TIERNEY. For some time now, yes.

Mr. QUIGLEY. I appreciate it. I think mine might have been 30 seconds, but the point being a perusal of Pakistani newspapers, despite all your best efforts, seem to show that the drone attacks and, again, whether or not we think it is rational, the trial of a female doctor just blowing away all your efforts as it gets to the hearts and minds of the Pakistani people.

Mr. TIERNEY. I would just comment on one thing on that. If you read the Pakistani papers about the Kerry-Lugar-Berman thing you have an entirely different impression from what reality was on the ground, too, so I think there is——

Mr. QUIGLEY. Which is frustrating.

Mr. TIERNEY. It is frustrating. It is hard to tell really what is going on, whether it is manipulation or accurate reporting on that.

Mr. Luetkemeyer, you are recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

In some of the information we have here, there is a quote from June 29th to the New York Review, something to the effect that says, rather, we can expect a slow, insidious, long-turning fuse of fear, terror, and paralysis that the Taliban had lit and the state is unstable and partly unwilling to douse. With the recent arrests that have come about in Pakistan and their seemingly different approach to dealing with the Taliban, do you see an improvement in the government's ability to control its own destiny here, or is it still as unstable or more unstable than what the original comment was made almost a year ago?

Mr. FELDMAN. We are certainly happy to offer any sort of briefings to you or others about the arrests and include the intel component which I can't really speak to. I think that there are a number of indicators that our relationship with the government of Pakistan is on increasingly stable and more constructive grounds, due to actions on both sides. It is one that both we and the Pakistani government have invested a lot of time and effort into over the past 14 months. I think that is beginning to show dividends.

Mr. LUETKEMEYER. Mr. Bever, what is your thought?

Mr. BEVER. I would just add that I think what we have seen over the last year and a half is a more conscious effort by the government of Pakistan, when it does have to take certain military actions in populated areas, that they have learned some lessons from the approach they took in the Mulakan and Swat and Mongora areas.

As they have moved into Waziristan with better joint civilian planning for better pre-staging of supplies for populations that escape from those areas because of the fighting, and for better preplanning to go back in to try to re-establish stability in those areas. To me that is a signal of better consciousness, both within the military of the Pakistan government and the civilian sides, of the importance of doing these kinds of stabilization efforts for their security and a more humane way and for more rapid recovery.

Mr. LUETKEMEYER. Well, it seemed that the more stable a government, the more effective our aid would be to the people of Pakistan. I would assume that we would be supporting them in those endeavors and hope that they will be able to do a better job of controlling their country and the various factions in there; otherwise, the aid is going to fall in the wrong hands, I would assume.

Do you have any way to measure how our aid is being effective, how effective it is, the number of schools or water projects or more kids being educated or more people having less disease? I mean, do you have some measurable way of seeing what we have been doing, what the outcomes are?

Mr. BEVER. Yes, in those areas where we operate, we do baseline surveys, we do monitoring, we do interim assessments, as well, to see how many more children are able in a certain catchment basin, let's say of population, able to get some minimal primary education, for example, how many more girls are coming back in to school because we have combined a feeding program, like our Head Start, for example, so that, in fact, they are, in fact, more motivated to come in to school.

We do monitor the maternal child health statistics and maternal morbidity and infant mortality. So those are the kinds of measures we try to take as we operate how many—what kind of community development activities, how much community participation we are getting, including female participation in the communities, especially difficult in areas of FATA, for example. We do have ways to do that, and if you would like more information we can make that available to the committee.

Mr. FELDMAN. I would also add that the White House has undertaken their metrics process, which has been ongoing over the past 6 or 8 months. I know that the first report due to Congress I believe will come at the end of this month.

Regarding FATA, in particular, just to amplify what Jim said, I think there is a sense that, because of the security issues, because of other ongoing concerns, that there is not necessarily much that we have been able to do there, and that is very much not the case.

Just since September 2009 USAID and OTI have completed 32 activities totaling over $1.6 million. These have included repaving seven roads, fifteen water supply and sanitation activities, four flood protection walls, three electricity system rehabilitations.

Mr. LUETKEMEYER. Okay. Very good. That was my question. Before my time runs out I have one more question. Thank you. I didn't want to interrupt you here, but I do have one more question I want to get to real quickly.

I know in Afghanistan we are using the National Guard operation where we have National Guard individuals who have a background in agriculture to come in and help train and work with the Afghanis to try and teach them some different farming methods, as well as help establish new markets for their farming products. Is there something like that that is being thought of as a way to implement in Pakistan, as a way to gain the trust of the Pakistani people, the various factions there?

I know that seems to be what is working in Afghanistan, and it is a great way to turn the people to realize that we are there to help, not to harm. Is there anything like that under consideration, or is that strictly something that is only used in Afghanistan?

And, Mr. Chairman, I do appreciate your indulgence.

Mr. BEVER. At this time no, although I must say we are extremely grateful to the U.S. National Guard from, I think, nine States now in Afghanistan that are operating there on agricultural development teams, together with U.S. Department of Agriculture and our own AID advisors. At this time, to the best of my knowledge, we are not planning or thinking of that on the Pakistan side. We have other ways to deliver agriculture-related assistance, together with USDA, by the way.

Mr. LUETKEMEYER. Well, the reason for the question was you made the comment about building relationships with the people, we have to earn their trust, and it seems to be working in Afghanistan. I was seeing if that was something you would be thinking about as trying a way to earn the trust of the people of Pakistan, as well.

Mr. Chairman, I do appreciate your indulgence. Thank you very much.

Mr. TIERNEY. Thank you for your comments. Thanks for your questions.

Mr. Murphy, you are recognized for 5 minutes.

Mr. MURPHY. Thank you, Mr. Chairman.

I appreciate your testimony here today. I want to get back to this question we have been tossing around about metrics. As compelling as data is about the number of roads paved and the number of children educated, it strikes me that that is ultimately not why we are there. If just investments in social infrastructure and in hard infrastructure were our end product here, then we should be in a lot of places in the world. The metric here ultimately is to Mr. Quigley's point, is whether or not we are creating the conditions upon which people will feel better about the United States and feel less inclined to move into an extremist movement there that threatens both the stability of the country and threatens the United States.

So I guess my question is: do you think about how we measure that? And what are the ways in which we can do it?

I think I agree it is hard to do that on a national basis because we have a lot of other competing factors that are hard to measure for, but I wonder if there are ways to do that on a localized basis in areas of the country that we have heavy investments in and

where we are paving roads and putting kids to school and setting up health clinics. Is there a way to measure what the sentiment there is to the United States and what the local activity of extremist groups are in those areas? I would be interested to hear a little bit about how we measure what is our ultimate objective rather than our intermediary objective of making the investments and making them stick.

Mr. FELDMAN. On the more macro picture, the combating extremism is obviously a core reason, if not the core reason, for part of our assistance programs, as laid out, again, in our regional stabilization strategy; in fact, the kind of central focus of the President's speech on Afghanistan and Pakistan on December 1st. So clearly how successful we are in ultimately combatting extremism is critical to this.

The metrics in terms of actually gauging and evaluating that are obviously a lot more difficult. I mean, it is something that is part of every conversation. There are more specific aspects that we attempt to use in combatting extremism, the new public diplomacy and counter-propaganda programs that we have had in trying to get out more moderate voices more frequently. But in terms of actually how we gauge the moderating impact or even whether we will have access to that information—and certainly not yet. I think at this point it is a far longer-term process—is one that we are continuing to evaluate how we best capture that information.

In the relative short-term, the outputs are the easiest gauge, but clearly they don't tell the whole story, as well, and we have to say not only how many schools are built, but how they are then used and what the sustainability is and ultimately what the literacy rate in that region is. And so it is a constant process of adjusting that as we get the information and over the course of time. But with the ultimate goal, the combatting extremism, is certainly a core piece of that.

Jim might have more specifics.

Mr. BEVER. That is a very good question. I would just add that in the end one of the metrics I kind of keep in my mind is the continuity and the strength of the civilian government and the existence of the civilian-lead government in Pakistan. It is an indicator to me of their satisfaction with a civilian-elected and a civilian-led government because, as you know, the rotations over time of civilian government versus military government and strengthening that relationship between the people, as I said earlier, the governed and the governing, is extremely important.

I think we will see indicators of that in the coming months in Pakistan, because they are now going through, in each province, decisions by each provincial assembly as to how they will hold their own local elections, their equivalent of district or they used to be called nauseam elections. That I think will be—you asked at the local level—an indicator of what are the people thinking about the way that Pakistan government is moving forward in servicing its people. And it will be a mixed story. I am absolutely sure it will be a mixed message.

To me, rule of law is extremely important, and how they perceive rule of law at the local level, how they perceive corruption by local

officials or not at the local level, and how they perceive delivery of services and their demand for those services at the local level.

Mr. MURPHY. I understand how difficult this is, and I understand even when you are talking about local measurements like election results it is very difficult to extrapolate that simply to U.S. aid versus a lot of other factors, but to the extent, Mr. Feldman, you were talking about the White House's new effort to try to implement metric strategies, I think to the extent that we can try to get at our end goal and in some way measure that back to where we have made investments and where we haven't, it makes it a lot more helpful for those of us who right now are operating on faith and who believe this is the right strategy, to go back and translate that to our constituents back home that are sometimes skeptical of us spending this amount of money abroad instead of here at home. So I would encourage you to continue to think about how to best measure that.

Mr. TIERNEY. Thank you, Mr. Murphy.

Mr. Lynch, you are recognized for 5 minutes.

Mr. LYNCH. Thank you, Mr. Chairman.

I want to thank both of our witnesses for your help with the committee's work.

We were in Pakistan several weeks ago meeting with some of the USAID and some of our NGO's there, and there was some concern raised about the—well, the focus is right, I think, in terms of the federally administered tribal areas and the Northwest Province; however, there was some concern about the safety of NGO personnel in some of those regions, and there was a sort of a reassessment going on, I guess you could call it, where western employees were sort of hunkering down in areas closer into Islamabad and trying to get services out to the population in those areas through Pakistani nationals, and it was a sort of a—they were changing it on the fly and there were even sustained concerns about the safety of those Pakistani nationals doing work on our behalf or on behalf of the Pakistani people.

I was just trying to get a sense of how much is that affecting the efficacy of our attempts here to bring capacity to those governments in the tribal areas in the Northwest Frontier Province.

Mr. BEVER. I appreciate your question, Congressman Lynch. It is one on our minds all the time. It is our preeminent concern, frankly.

We have, both in Afghanistan and Pakistan, we have lost a lot of people paid under our assistance programs, more, of course, in Afghanistan than in Pakistan. The local nationals—in this case Pakistanis—are the ones who are most exposed. We know the head of CHF was murdered in Peshawar a year ago, along with one of his Pakistani staff. There have been kidnappings of staff from our NGO's, so what we——

Mr. LYNCH. Sir, could I ask you to just speak up a little bit? I am an old iron worker and I have bad hearing.

Mr. BEVER. Sure. What we have tried to do now and since the time you were there is whenever any of our partners come to us—and it is usually at their initiative—to say, Will we provide funding to them so they can adjust their agreements, their contract or their grant or their cooperative agreement, as we call it, to allow some

expenses to improve their security. We look at that very seriously and make sure, in consultation with our security office regional diplomatic security people at the embassy, that we come to a mutually agreeable accommodation so that, in fact, they can try to improve their security.

We also have to count on the Pakistani security services, themselves, to assist us with the right kind of information about areas where these people work and where they have to go into and come back and commute back and forth. So we have done that kind of coordination since the time that you were there and raised some of these concerns and were responsive to them.

So it has not stopped us from being able to operate and to be able to support FATA, Secretariat, and others, for example, or even in the Northwest Frontier, but it is certainly something that constrains us on any given day.

Mr. LYNCH. Okay. All right. I am just about out of time. Mr. Feldman, would you like to add to that, please?

Mr. FELDMAN. I completely agree with what Jim said. I mean, it is a constant calibration between, obviously, having to be mindful of the security situation and wanting to protect lives while also trying to do the critical assistance work that we continue to do in those areas.

I would give as a recent example the United States has agreed to provide $55 million for reconstruction projects in South Wajiristan, focused on roads, dams, rehabilitation, and power grid. General Zubear has worked very closely with Ambassador Rafo and our Embassy in Islamabad to ensure that access for U.S.-funded Pakistani monitors would be one of their top priorities. And so as we continue to try to put forward—and there is a range of other oversight mechanisms we have tried to put in place, which I would be happy to talk about later, fixed reimbursement agreements and things like this—but we have tried to work with and mitigate, to the extent we can, the security situation while still being very cautious about risking lives.

Mr. LYNCH. Thank you, Mr. Chairman.

Mr. TIERNEY. Thank you, Mr. Lynch.

Mr. Van Hollen, you are recognized for 5 minutes.

Mr. VAN HOLLEN. Thank you, Mr. Chairman. And thank you both for your service. I want to commend you and the whole team on what I think has been significant progress over the last year or so in Pakistan, and I think we are beginning to see the results, at least with respect to responsiveness and engagement with the government of Pakistan in fighting the most extreme elements. It wasn't long ago that President Musharraf was entering into nonaggression pacts with the Pakistani Taliban in Swat Valley. Largely as a result in the change in government and the engagement of the new administration, a diplomatic, political, economic offensive, you have a much greater degree of cooperation and engagement.

Not only has the military gone after the Pakistani Taliban, but they have also taken very important steps in going after elements of the Afghan Taliban based in Pakistan. We saw that, obviously, with the arrest of Mua Omar's operation head and the arrest of the shadow Governors and other signs of greater cooperation.

That is a result, I believe, of greater confidence and cooperation between the U.S. Government and the Pakistani government, and a view on the Pakistani side that they have a big stake, as well, in defeating extremism, whether it is the Pakistan Taliban or ultimately trying to resolve the situation with the Afghan Taliban.

So I think that is important progress, and I think it is the result, in part, of engagement at all levels, including economic engagement, and sending the signal that we are there for the longer term.

I commend you on the idea of trying to channel more resources through Pakistani contractors and indigenous institutions, with the caveat, of course—and you have raised this—that we have to make sure there is transparency and accountability. As we put more funds through local organizations and build capacity, we need to make sure that those moneys are being well-spent.

So there is building this relationship with the government, but we are all frustrated with the fact that if you take a poll in Pakistan today among the Pakistani people, the United States is held in very low regard. And, as the chairman pointed out, the Kerry-Lugar-Berman legislation aid, it was like kicking the gift horse in the mouth, although we don't see it as a gift, we see it as part of our engagement and interest. At the same time, it was something that was a good thing.

So while I like the idea of channeling more funds and building capacity, at the same time those American taxpayer dollars are not necessarily—we don't get the credit necessarily for those investments in the mind of the Pakistani people, and I think there is a real feeling what while we pumped millions and millions of dollars into important things like institution building and democratic building, that if you were to turn around and ask the average Pakistani citizen, what has the United States done in terms of economic development, it is hard for them to identify something.

So my question is: in addition to doing these kind of things, should we not also think of doing some of the things we used to do in the past? USAID used to do much bigger investments that were important investments in the country, but at the same time drew the national attention of the Pakistani people, clearly identified as an investment being made in the United States in the future of Pakistan and the future relationship, because there is a concern that after spending all of this money, especially as you channel it more through the government of Pakistan, which builds capacity, that no one in Pakistan, among the Pakistani population, can say, yes, the United States helped us in this particular, concrete way.

If you could, respond to that and what ideas you have with respect to some of these other projects.

Mr. BEVER. Congressman, we certainly agree with your comments. It is important that the Pakistani people have some visibility and see the benefits of cooperation with the American people and the American assistance with our people's money. So we are looking and have already initiated the first wave in the last few months of assistance to the energy center, trying to rehabilitate and repair some of their existing power systems. They will see that to the extent they see things quickly in the press. They should also

see it in terms of the effects in certain parts of the country on their load shedding.

Now, again, these are just the first steps.

It is a country of 157 million people, plus or minus. It is more than half the population of our country. So when you take that, even with a very generous assistance program we have now, it is still less than $8 or $9 per capita in the country. So we have to do this extremely catalytically, and we have to be very thoughtful on how we approach this.

So we will be working in energy, which all Pakistanis can immediately identify with as a need. We will be working in water, which is an extremely important feature for the Pakistanis, both in agriculture, in quality of water, potable water in their communities, but also on water distribution systems and, obviously, because of base and treaty concerns that are also political concerns in the country.

So those are just some quick examples, but we want to make sure, as we do those more-infrastructure programs, that the policy reforms are there, too, so that our people's money is put into programs that, in fact, will be sustainable financially.

Those are the two examples I would like to share with you.

Mr. FELDMAN. Thanks, Congressman Van Hollen. I appreciate your stage setting, as well, because I think it is critical, as we think about how we continue to move forward, what the metrics are, recognizing that there is still a sense of great skepticism about the American relationship among Pakistanis. Just a year ago the Taliban were 100 miles from Islamabad. We were facing a quite critical scenario.

And over the course of the past year, through the increased cooperation at every level of Government, we have seen the development of a far more cooperative, constructive, civilian-based relationship, which I think is starting to yield real benefits now, but it will take, I think, a significant amount of time to continue to see these benefits, as per their earlier questions about how do you actually engage something like combatting extremism.

Your question on how these benefits help to accrue to the United States, how people focus on what the United States has contributed to them in our development projects is obviously one that the development community grapples with all the time. As we came to it in terms of looking at how we could best use this Kerry-Lugar-Berman money, we also went through the exact same calculus, and we have really tried to walk the line between continuing to do the institutional capacity building as we have done over time, but also demonstrate, and this is where this whole term of either signature projects or high-impact, high visibility projects has come from, but to do at least one type of those projects in each of the five or six main sectors we have identified that are most important to Pakistanis, starting with energy, given the Secretary's trip last fall, and the second one being water, showing that we are hearing the concerns of the Pakistani people beyond just the border regions, beyond where we are seen to have a more narrow, targeted interest.

I think the process that evolved as we considered what we could do in the energy field was a very instructive one. I think we started with the idea of let's build something big that we can stand on and

have a ribbon cutting, and everyone will know that America built this. And as we looked more and more into it, first of all, the costs were exorbitant, the sustainability issues were there. It was questionable what the needs were.

As we started looking more at the actual needs, it became far more clear that working on the efficiency issues, working on getting more watts on the grid, avoiding some of the blackouts in high consumer and commercial areas, which we could do relatively quickly and easily through this $125 two-well project, would be far more constructive, far more efficient, and more sustainable.

And so instead of the kind of signature energy project, a dam or something like that, we have come up with this signature energy initiative. I think that the same process is unfolding in many of the other sectors. In education we could have looked at building an American university, but again how sustainable is that over the long term. What is the commitment there? Does that become a target in and of itself?

So I think, although we are still very much in the process of trying to determine which direction we are going in and USAID and State together are actively looking at a number of these projects in the remaining sectors, something like a center of excellence at an existing university or some sort of faculty, which would be seen as this is a gift of the American people or done in conjunction and cooperation with the American people, helps to build that, but is also not necessarily the grand bricks and mortar vision that we had of big development projects.

Mr. TIERNEY. Thank you, Mr. Feldman.

Mr. Welch, you are recognized for 5 minutes.

Mr. WELCH. I thank you very much.

The dilemma I think all of us have is, number one, what is the basic purpose of the aid, and it has to be tied obviously to national security, however else we describe it, and, number two, in order to deliver that aid, how can it be effective, how can we get our money's worth. The models that we have used, whether it was depending on international contractors or NGO's, where there is a high overhead, whether it is dependent on Pakistani ministries where there is a high level of corruption, and whether it is dependent on NGO's, where there are huge oversight problems. The only way we can be successful—and I will just ask you this—is whether we have, Mr. Bever, and honest and a competent Pakistani partner. I mean, would you agree with that?

Mr. BEVER. Absolutely.

Mr. WELCH. So if we don't, I mean, there are disputes between the military and the civilian government. There is a weak civilian government that is up and down. Other than for purposes of domestic consumption and the need that we have to at least appear that we are attempting to win hearts and minds through development projects, through economic opportunity projects, through education projects, if we are honest with ourselves and ask the hard question, can we realistically be successful when the implementation and execution really requires an honest partner in Pakistan.

Mr. BEVER. Well, this is one of the purposes of our financial preaward assessments. It is our procurement officers, it is our control-

lers, it is our project officers also that check out these organizations before we——

Mr. WELCH. See, this is my point.

Mr. BEVER [continuing]. Provide assistance to them.

Mr. WELCH. It is a real dilemma. I don't mean to be challenging, because I know you are doing your level best. Obviously, it is desirable for us to be doing projects that are going to improve the lives of Pakistani people.

But there is a hard question that we have to ask. We can have all the auditors in the world. We can have all of the honest NGO's in the world. But if there is not a mechanism that is solid in Pakistan, we are going to have Iraq all over again. I mean, that is the hard question. And what you seem to be acknowledging is that we really do need an honest partner there.

Mr. Feldman, how about you?

Mr. FELDMAN. Of course I absolutely agree that we need an honest partner. We are doing everything that we can to work with the honest partners, to identify those, to vet them, and to make sure——

Mr. WELCH. And politeness requires that we say kind things, but the mechanisms over there don't exist. It is our need now, because we have an urgent national security need, things have changed, apparently somewhat for the better, as Mr. Van Hollen has mentioned.

But I think most of us would probably come to the conclusion that it had much more to do with the self-interested conclusion made by the Pakistani military that the Pakistani Taliban were starting to cause trouble that made their lives difficult. It was not a result of the Kerry-Lugar-Berman aid. Would you agree with that?

Mr. FELDMAN. I think it is a combination of factors. I think that it is an evolving, changing relationship that is dependent on many things, and I think that the Kerry-Lugar-Berman aid will be quite critical for that.

Mr. WELCH. When I was there, I just was there with the chairman, and what was really apparent when you are there is how incredibly difficult it is to actually get a water project and education project, you name it, how hard it is to actually do it. And we can talk here, and we can talk about metrics, but there is an abstract quality to it because the people on the ground, the security challenges they face, the lack of infrastructure, administrative infrastructure to make it happen, these are enormous impediments to the best intention, the best and hardest-working people.

For domestic reasons here, we have to act beyond military, but on the other hand, with all of the practical problems, I wonder whether it doesn't make sense to do a big, visible project, somewhat like the approach described by Mr. Van Hollen. It is easier to control the money, more confidence that you will get a dollar's worth of—well, maybe 70 cents worth of work for a dollar's worth of income. It is a substantial and visible project.

I know my time is up, but I would ask each of you to briefly comment on that.

Mr. BEVER. I would just comment that in my experience with Pakistan over a quarter of a century and half my career, there are leaders in Pakistan, there are reformers in Pakistan.

Mr. WELCH. Right. I know that.

Mr. BEVER. There are many Pakistanis of very high integrity, such high integrity that sometimes in past governments they could not be trusted and they were sidelined, and some of them are back. There is a growing, I think, appreciation by the Pakistani business community and Pakistani civil society that they have to take more charge at their levels for the future of their country and to hold their leaders as accountable as we hold our leaders accountable.

I think that is a very important phenomenon that is evolving in Pakistan today, and obviously the extremist threats to the country's future help to mobilize that, whether it was a tax on universities or police stations in Lahore, regardless of those things that were going on in the FATA and NWFP.

I think the real future of that country and our assistance to it is linked to our ability to support those who have the courage inside their own society to transform their own society, and that is where we will be most effective and, over the long run, getting to Congressman Van Hollen's question also, that is where the Pakistani people will thank the American people the most, but it will take time.

Mr. TIERNEY. Thank you, Mr. Welch.

Mr. Driehaus, you are recognized for 5 minutes.

Mr. DRIEHAUS. Thank you very much, Mr. Chairman, and thank you, gentlemen, for being here today.

I just wanted to follow up on Mr. Van Hollen's comments about the Pakistani perception of U.S. aid in Pakistan. I am a former Peace Corps volunteer, and I am curious as to how we are engaging in soft diplomacy. There are many projects, massive projects, littered around developing countries that were done counter to the will of the people in certain countries, that, because of one reason or another, were failures and they stand out as failures of U.S. aid policy in those countries. Yet, we know that soft diplomacy often works very effectively in terms of changing opinion toward the United States of folks that are, you know, obviously living in those countries.

So I was wondering just if you could start off by telling me what we are doing to engage in soft diplomacy in Pakistan.

Mr. FELDMAN. I guess, Congressman, first of all I would say it would depend in part on how we define soft diplomacy. But in terms of if it also includes democracy and governance related activities, whether it is just person-to-person contacts, which is going to be one of the key areas for the strategic dialog next week, and continuing to build those ties with NGO's, obviously, continuing to build ties with both Federal and provincial leaders, parliamentarians, and other elected leaders, the democracy in governance program—and Jim can give more details—has a parliamentary strengthening dimension to it, a local governance dimension to it, an elections-based dimension to it.

I know that NDI and IRI and other organizations are very interested in continuing to do more. There is a whole range on the softer diplomacy. There is a whole range of kind of communications

mechanisms. Our new Under Secretary of Diplomacy, Judith McHale, has put together a very robust communications strategy which has already started putting out bids for children's educational TV programs in local languages, other communications programming, radio, television, using new social media networks, cell phones, and other things.

So there are a range of activities that are currently in the works and starting to be implemented, but I am happy to come back and——

Mr. DRIEHAUS. Well, I guess I am concerned that those all seem to be up here, and what are we doing at the ground level and in the villages, in the cities in terms of touching people, face to face, in terms of Americans on the ground and engaging in some type of cultural exchange in addition to development, because, when we talk about democratization, when we talk about Federal Government intervention with the Pakistani government, that is a bit different than being at the village level and on the ground.

Mr. BEVER. If I could just add, Congressman, one of the evolutions you will see this year in our program, security permitting, will be deepening our presence in the country. We will be moving out of just Islamabad—I am talking about AID—and establishing regional offices in Lahore to service the people of Punjab and Karachi, to service the people of the Sindh and Balujistan, in addition to a very modest presence in Peshawar, which is constrained right now for American officers by security.

That will enable American officers—again, I am talking AID, and sadly we don't have a Peace Corps presence there—to be able to get out with the people more, with the business community, with the local associations, with women's groups, with communities, with the Governors and the district officials, the kinds of things we used to be able to do 25 years ago when I first served there, and that we have all been wanting to do.

That is why we will be basically tripling over time, over the next two fiscal years, assuming funds are available, our American officer presence, but we are also going to be more than doubling our Foreign Service national Pakistani staff to also serve in Lahore and in Karachi and be able to help us get out more, as well.

Mr. DRIEHAUS. With regard to the AID assistance delivery and the transference to local NGO's, what lessons have we learned in terms of accountability and sustainability in terms of Pakistani NGO's and how they are able to engage in development? And do we have outcomes measurements that we are using to hold them accountable, similar to what we would be doing with international NGO's and American NGO's operating with USAID contracts?

Mr. BEVER. A number of questions in your larger question there.

Mr. TIERNEY. That is a clever tactic Mr. Driehaus uses to eat up his 30 seconds remaining. But please go ahead and respond.

Mr. BEVER. First and foremost, we do have to assess the capability of these groups. We have to make sure they are actually registered with their own government, that our financial analysis and those of our Pakistani firms that we use assure that, in fact, they are following their own law, first, to make sure they are accountable.

We also have learned some lessons about how we do our grants, because we are talking NGO's. They are usually grants. So we don't necessarily always give it all in one big amount of money up front; we tend to give an initial amount, see how they do, give an incremental amount, see how they do, and then give a final amount, those kinds of things to meter the flow of money, to make sure we get the performance that they told us they want to do, and we are assisting them in what they claim they are good at. That is why we provide grants or cooperative agreements.

In the case of cooperative agreements, we have a clause that is called substantial involvement. It means the U.S. Government has a much deeper relationship with the grantee than under a normal grant arrangement, and we exercise that through our assistance officers that have Federal warrants.

Those are just some examples.

In terms of measurement, every one of our program activities has to have a measurement and monitoring plan, and we make that available to the Inspector General to hold us accountable in the way we do our business, as well.

Those are some of the lessons we have learned over time, Congressman.

Mr. FELDMAN. May I just add one thing to it? I mean, one thing which I think you are very right to focus on is the impact on the ground, but in an example like Swat, just since September the combination of the work of the Pakistani government in helping to return IDPs, but also the USAID work has really contributed to a resumption of normalcy there which I think would have been unimaginable 6 months ago.

So helping to rebuild government of Pakistan offices, helping to rebuild schools and thereby enabling people to return and resume that degree of stability I think has been very significant, from both a national security strategic sense as well as what our overall development goals are.

Mr. BEVER. If I can just add, we also vet our partners. We are required to check to make sure that the partners we provide assistance to are not on certain terrorist lists. We make sure that our partner organizations are in good stead with their own government from a financial perspective on their own, whether they pay taxes or whatever their particular rules are.

And we are particularly mindful of what was called the Negroponte guidance from the last administration, which basically asks us to assess the risk in each of our partners and to adjust our controls depending upon the risk we assess with that particular partner in that particular geographic area from a point of view of the money going to hands to whom it should not go.

Mr. TIERNEY. Thank you very much.

Ms. Chu, you are recognized for 5 minutes.

Ms. CHU. Well, last week militants stormed the northern Pakistani offices of World Vision and killed six workers, injuring five. It is the world's largest Christian charity and works in some of the poorest and most politically unstable places on earth, and also educates and employs local women. All these factors make it a target for extremists.

My question is, concerning this situation, what implications does this have for Pakistani NGO's that receive aid, and what about their safety and security?

Mr. FELDMAN. Certainly we condemn the actions on World Vision, and we are very, very sorry and troubled to have seen that incident, but it is, unfortunately, not uncommon for NGO's and others doing this type of work to be targeted. We are continuing to work, as we discussed here today, within the constraints that we have to walk that fine line between continuing the very important assistance work, the work focused on women's issues and some of the other things that World Vision was doing, in the neediest areas with the security concerns.

So I know Jim can talk a little bit more about the kind of security mechanisms that we try to put in place or try to work through in the most conflict-ridden areas, but it is, as I have said, a constant calibration that post tries to work through in terms of where we will continue to target our work, to target our resources, to try to continue the assistance, while also being as cognizant about the real risks that people are facing, and trying not to put them directly into harm's way.

Mr. BEVER. I would just add that in this case World Vision, they were not a direct recipient of USAID, but where they are we have urged our partners to come to us and say, If you perceive security risks, please describe them to us. Tell us what you feel you need for your people while they are traveling, if it is the kind of vehicles they travel in, if it is the protection around where their offices are, those are the things we can help with financially as part of a grant or cooperative agreement or contract. And we have had a lot of experience in this, but they do have to take some initiative to come to us if they perceive problems.

But we are not being just passive that way. We have also reached out to them. I met with every chief of party of every contractor, grantee, and implementing partner in Pakistan when I was there in the fall, and I will be going out again soon. I will meet with them again. And one of the things we did talk about was security. Again, these were ones we support.

They, however, are in close touch with others who we don't support, and they share information, and we have told them anyone who is U.S. registered is welcome to come to, now I think it is a monthly, briefing with the Diplomatic Security Officers, and USAID has our own security officers at the post in Islamabad, where they share information, they hear about those concerns, they get advice, and there are ways to sort of establish best practices, because their own network is faster and better even than ours, frankly. And there are other techniques that could be used, but this is not the appropriate forum to discuss that. But we could discuss it offline if you would like.

Thank you.

Ms. CHU. Just as a follow-up, I know that many of the attacks have targeted local Muslim women who were involved with American aid organizations. Is there a way to balance the safety of these women involved in these programs without compromising our goal of advancing the rights of women and girls in Pakistan?

Mr. BEVER. Obviously we encourage women's groups or women to participate in all the programs of our assistance. It is, first and foremost, the responsibility of the Pakistani security entities to protect their citizens. That said, there are some things, for example, in schooling and education that we have learned that if schools need walls built around them to protect the children, including the girls, that that is a very legitimate thing for us to do with the American people's money since we want the education to happen and we want more girls, in particular, to participate in the education system. That is a simple thing, very simple, that, in fact, does make a big difference.

Another, frankly, is training female teachers. The more that there are female teachers in the country, the more families are willing to allow their daughters to go to school, because they feel that the teachers will be more responsive to them and less of a possible personal security threat to them.

These are things Pakistanis have told us, lessons they have learned that we want to be able to help support.

Ms. CHU. Thank you.

Mr. TIERNEY. Thank you very much.

We have finished our first round of questioning. With your indulgence, I am going to see if the Members want a question or two more before we fold here today.

I am going to start that. Mr. Flake has deferred, and I appreciate that.

Mr. Bever, we concentrate a lot in this committee on the personnel over there and the ramping up of U.S. personnel. Many of us have the impression that we were hollowed out over a period of time and now we have to get our capacity back. So if we are decentralizing, we are going to smaller predominantly Pakistani contracts that need oversight from people in our USAID, what is the recruitment process we have to get people in and how is that going? What do our numbers look like? What is the training process, so we get them up to the capacity that they can actually supervise and manage other people, as opposed to just do certain functions?

I think, last, that leads to a question that was discussed a little bit beforehand: what, if any, legal authorities does USAID need in order to do that recruitment training and retention of sufficient numbers of personnel for service in Pakistan?

Mr. BEVER. Thank you. Mr. Chairman, if one looked at, say, contracts officers or procurement professionals, for example, we now have about a half a dozen in Islamabad. These are U.S. contracts and agreements officers, not to mention Pakistani. We expect to expand those procurement officials in country over the coming year, probably doubling them. We expect to move them out into the local areas, into Lahore and Karachi, as well, to help oversee our projects as we get——

Mr. TIERNEY. So you will have a total of 12 in the entire country?

Mr. BEVER. It will be approximately 12, as I understand it.

Mr. TIERNEY. So do those 12 people essentially do all of the procurement or overseeing all of the procurement?

Mr. BEVER. They also have Pakistani negotiating assistants and others that have experience doing this with World Bank or ADB or

others from whom we have hired some of these staff to be able to help us, and we bring in——

Mr. TIERNEY. But you want those people, the procurement officers, to be able to know whether or not the Pakistani staff is performing up to sufficient——

Mr. BEVER. Yes.

Mr. TIERNEY [continuing]. And knowledgeable.

Mr. BEVER. Yes.

Mr. TIERNEY. So still you are going to get——

Mr. BEVER. We are still building. We are still building, if that is what you are saying.

Mr. TIERNEY. How many eventually would you like to have?

Mr. BEVER. I would think we want to move up to 16 or 24, something like that, between the American and the Pakistani staff over time.

Mr. TIERNEY. So basically by the time we are in our last year of this Kerry-Lugar-Berman money, you will be getting up to a point where you want to be?

Mr. BEVER. I think we can move much faster. We are trying to do this this year and next fiscal year.

Mr. TIERNEY. I see. So you are going to do a half dozen more this year, but then maybe double it up in the next year?

Mr. BEVER. That is what we ought to be doing. And not just in that case, but in terms of project officers and others I think we have to face the reality—and you are aware of this, Mr. Chairman, that after 7 or 8 years of working in these highly risky conflict zones where usually they are officers unaccompanied by their families, their spouses, it has taken its toll on the agency, and that is why we appreciate the support for the DLI part of it, development and leadership program.

Those people do have to be brought in, trained up, and then assigned to some of these more challenging posts. That will take time. That is why we are moving to expand the number of mid-career development professionals we are bringing into the development leadership initiative, and we are also now recruiting outside to bring people in under what we call Foreign Service limited hire, which are Foreign Service officers, but they are limited to 5-year appointments at a time that can be renewed once.

So it is a technique we have developed in Afghanistan, and we started in Iraq. I was also the Deputy Assistant Administrator for Iraq for 2 years.

Mr. TIERNEY. Are these people experienced in particular areas that you are going out for these 5-year periods?

Mr. BEVER. We look for people who have had conflict zone experience. Generally our requirements are pretty stiff. We look for master's degree plus 8 years experience, of which four has to be in conflict zones. When we can't get that, we then ask for 8 years, even more years of work experience, and then we do, of course, personal references on all of them.

But I guess the other thing I would just want to say here is that, in terms of training them, this also takes time. It is a difficult thing to do in the conflict setting, which is why we try to find people who have already got some of this experience to bring into the——

Mr. TIERNEY. Do you have any success in bringing back former USAID personnel?

Mr. BEVER. We have. We have reached out to former senior Foreign Service and regular Foreign Service officers, and with the help of Congress we have special provisions to bring a limited number of officers back who can be sworn in again and retain their annuity, as well. So in terms of certain authorities that would be helpful to us, Congress has been forward-leaning on that. We can bring certain personal service contractors onboard, as well as Foreign Service limited officers.

I think the time will come, though, when we need to find ways to retain, how to retain these officers in these posts that are both dangerous and they are away from their families. What are the motivations to keep them there a second year, or even a third year? For example, can we relocate families closer by in that theater, which is what was done in the Vietnam war, so that both military and civilian officers, in fact, would stay longer?

Are there other financial incentives that potentially could be provided, or caps lifted on the pay that they can earn? These are just a couple of simple examples that we really need to be looking at to retain the officers once they get there. They will be four times more effective in their second year than they are in their first year.

Mr. TIERNEY. Do you have somebody in your office that you could delegate to deal with Mr. Flake's staff and our staff here to maybe talk through some of those issues in more detail?

Mr. BEVER. We would be happy to. Absolutely.

Mr. TIERNEY. The staff director, Mr. Wright, will contact you and follow up on that.

Mr. BEVER. Okay. I would just add that we have done something unique in AID's history in the last 6 months, both for Afghanistan and Pakistan. Recognizing the challenge to get senior officers of the current corps to come to post, we have designated all the office director positions, of which there are approximately 10 in both posts, as what we call senior management group officers, and that means the Administrator personally approves who goes there, and they have to be what we call FS–1, class one officers, at a minimum, or senior Foreign Service Officers to go. So normally those designations are required only for mission directors or deputy mission directors, so we have stepped up to the plate here and stepped up the internal incentives for our officers to serve there.

Mr. FELDMAN. Mr. Chairman, may I just say, in addition to that, that the number of direct hires I believe throughout Pakistan has increased 70 percent from 2008. I think it has gone from 336 to 580, with plans to add another 125 by 2011. So we also are closely monitoring the staffing situation, trying to get the best people out there as quickly as possible, and would be happy to join in any sort of briefing on those issues.

Mr. TIERNEY. Thank you.

Mr. FLAKE. I was just going to ask if you can give us a ball park number on how many you have been able to bring back, the Foreign Service officers, through this program?

Mr. BEVER. I am going to have to give that to you separately, but I can tell you I spend a part of every day calling colleagues who used to work for AID seeing if we can attract them back, and they

are serving in Iraq, they are serving in Afghanistan, they are serving in Pakistan.

For example, our deputy director who is in Peshawar is a rehired senior Foreign Service officer. One that we are currently attracting, trying to bring to Karachi, will be a rehired senior Foreign Service Officer. We also have looked to other missions to loan their mission directors or their deputies to Pakistan, and we have brought three other mission directors out to Pakistan to help us over the past fall and winter. So we are doing everything we can to bolster the senior level of the mission.

Mr. TIERNEY. Thank you.

Does any other Member wish to ask an additional question? Mr. Lynch.

Mr. LYNCH. Thank you, Mr. Chairman.

Just to illuminate the problem we are having in attracting former or retired members, Federal employees, up until about 6 months ago, we could not get very highly skilled Federal employees to come back to work for the Government because they would have to, under the law, forfeit their annuity.

Now, the corporate world has this right where if they have a special problem they just pull people back in out of retirement to go to work for them. That person has no learning curve. They know the business as well as anyone. But we in Government prevented some of our most skilled Foreign Service officers to come back into Government because we would require them to forfeit their retirement.

About 8 months ago, Senator Akaka and I got together. We changed that under the Defense authorization bill, but only for the last 6 months have we started to reach out to former Federal employees. These are highly skilled folks that have 20, 30 years experience, but it has only been in the last 6 months that we have been able to bring folks back.

One of the things I wanted to raise with you, sir, is I think we only allowed them to come back for 2 to 3 years, and then that expires. I am just asking, you are talking about a 5-year, these special contracts. We might have to amend that to 5 years in order to get them to come back under your program. So maybe that is something that we could work on together. I happen to Chair the Subcommittee on Federal Employees, so maybe that is something we could work on.

Mr. BEVER. We would welcome working with the committee, yourself, sir, and others on this. I am not aware of that particular limitation, but if it is there—I'd have to check the legislation again—and then we could extend it, that would be helpful.

I will just toss one suggestion out. This is not Pakistan, but it is really Afghanistan related and Iraq related up to a certain point. Our brave soldiers that serve in war time, in war theater, are exempt from Federal tax during the time that they are there, as I understand it.

Also, our grantees and our contractors who are there under our pay are exempt from the first certain amount of their income on Federal income tax, though they have to pay some on certain benefit kinds of packages. I think it is $75,000 or $90,000. The only Americans in harm's way who do not receive that financial incen-

tive to serve and continue to serve are U.S. Government civil servants and Foreign Service officers who are in harm's way in these war theaters.

So I will just toss that out as something to think about, whether there is a way for those officers who are in harm's way in the same places where all other Americans who are there receive some benefit as a representation of the risk they are taking, might be able to benefit from this in the future is the kind of thing that I think will help both attract and retain officers in the field.

Mr. LYNCH. I totally agree with you. We have, especially in Afghanistan and in Iraq, where we have Agricultural Department employees in there, we have a lot of civilian employees in there, and they are not being treated nearly the same way in benefits or even when they get injured in a war zone. There is a whole different way of treating them.

It looks like I might have another minute left.

Mr. TIERNEY. A minute and 8 seconds.

Mr. LYNCH. A minute and 8 seconds. Can you just give me a real thumbnail on Swat Valley, because I know that we are putting a lot of money in there. I had a chance to chat with Ambassador Patterson a few weeks ago, and that is sort of a microcosm of our effort there in Pakistan in terms of pushing the capacity of the Government out into some of these tribal areas. Could you just give me a thumbnail on that?

Mr. BEVER. Well, I can give you my own historic perspective. When I lived there I used to go fishing for trout in Swat Valley, it was that safe, and it was a beautiful tourist area. Now, of course, it is a different situation, and I, too, was alarmed, as Dan said earlier in our testimony, at how close the extremist elements were to Islamabad. That resonated throughout the country.

Today we are working very closely with the Pakistan government and the Northwest Frontier government, as well as with General Nadim and First Corps and others, and with Pakistani institutions, Parsa among them, to assist in the Northwest Frontier, especially Mingora and Swat, with everything from reconstruction of those facilities that were damaged, but, more importantly, building back, actually increasing the presence of the Pakistan civilian government.

Where they used to have one administrative center that may have been blown up by the Taliban when they left, there will be two or three administrative centers. Where there was one police building, there will be two or three. Where there was one clinic, there will be two or three. Those are ways to deepen the government service delivery, and the Pakistan Civil Service are returning to the area and working. So we have spent quite a few hundred million dollars there, $350 to $400 million, in relief efforts and reconstruction. There will be more to come.

Mr. LYNCH. Thank you for your indulgence, Mr. Chairman.

Mr. TIERNEY. Thank you very much.

Any other Member wish to ask additional questions?

[No response.]

Mr. TIERNEY. There being none, let me leave this last question with you gentlemen. Can you tell us how much of President Bush's

$750 million program for FATA has actually been obligated or spent in that region?

Mr. FELDMAN. I don't have that information off the top of my head, but we would be happy to——

Mr. TIERNEY. Could you give us a status report on that, on how much has been spent, how much has been obligated, and how much remains out there, and why it still remains?

Mr. FELDMAN. Sure. We will do that.

Mr. TIERNEY. And what his plans may be?

Mr. BEVER. We will get back to you on that.

Mr. TIERNEY. Thank you, Mr. Flake. We thank our witnesses very much for your testimony, both written and oral, and your time and your staff's, as well. We appreciate it. We look forward to dealing with you in the future, and we will definitely ask Mr. Alexander and Mr. Wright from the committee staff here to talk with Mr. Bever about some of those incentives, as well as the tax situation that he brought up.

Thank you both.

Mr. BEVER. Great. Thank you.

Mr. FELDMAN. Thank you.

Mr. TIERNEY. This meeting is adjourned.

[Whereupon, at 11:51 a.m., the subcommittee was adjourned.]