

Who Benefits From U.S. Aid to Pakistan?

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Summary

After 9/11 and again following the killing of Osama bin Laden, questions have been raised about the purpose of aid from the United States to Pakistan. If aid was primarily meant for military and counterterrorism support, the results from an American perspective have been inadequate at best. Washington has accused the Pakistani government and military of duplicity, and of protecting key militant leaders living within Pakistan. The United States continues to ask the government of Pakistan to “do more.”

There are Pakistani voices, however, who argue that this is America’s war, not a global or Pakistani war. The fighting has cost Pakistan three times as much as the aid provided and 35,000 victims. Sympathizers of militant groups in Pakistan’s army have also been found to protect insurgents and have been involved in terrorist activities themselves.

Clearly, trust is low.

The lack of trust didn’t start following 9/11—Pakistan’s aid relationship with the United States has a tortured history. In the 1950s and 1960s, U.S. aid stimulated growth for Pakistan and did not focus excessively on military assistance to the detriment of development programs. Following the Soviet invasion of Afghanistan in 1979, problems emerged that haunt the aid relationship to this day. American efforts against the Soviets unintentionally strengthened Pakistan’s military and intelligence agencies, their supremacy over civilian institutions, and rising jihadism that would grow to engulf both the country and the region.

Then after 9/11, the spigot of aid nominally meant to help the fight against terrorism instead supported the military acquisitions of the Pakistani army and only modest progress in counterterrorism operations. With military aid much higher than economic aid, U.S. assistance

has strengthened the hand of Pakistan's military in the country's political economy and failed to support the civilian government and democratic institutions.

But changes in the U.S. and Pakistani administrations in 2008 shifted aid toward development. Perhaps a longer-term engagement and commitment to civilian and development aid might result in strengthening democracy in Pakistan instead of reinforcing the military dominance that thwarts U.S. counterterrorism goals. This shift can illuminate how American aid to Pakistan can address both U.S. and Pakistani objectives and concerns.

It has become increasingly clear since the killing of Osama bin Laden that U.S. government aid to Pakistan is plagued by a complexity that belies claims of a strategic partnership. Bilateral assistance ordinarily should be a win-win proposition for both countries, in this case with the United States helping Pakistan to address American security concerns, and Pakistan receiving much-needed funding to serve its population, meet perennial and ever-increasing revenue shortfalls, and help modernize its military forces. In reality, the aid relationship between the United States and Pakistan has been muddled, deceptive, complicated, and even dangerous, especially since the events of September 11, 2001. The barrage of writing and analysis that has appeared since the killing of bin Laden in Pakistan has underscored this point, with such words as “duplicity” and “double game” being used extensively by U.S. analysts and policymakers alike.

It would be in the interest of the United States to ensure a stable Pakistan, with a liberal, democratic government focused on development. One could reasonably expect that the civilian government of Pakistan has similar objectives. However, the relationship has been so fraught with cross-purposes and doublespeak that the real purpose of U.S. aid to Pakistan in the post-9/11 era is no longer clear—from either country's perspective. Of course, the United States wants Pakistan to prosecute the war on terrorism and help defeat al-Qaeda and the Taliban insurgency in Afghanistan as well as in Pakistan. It also wants to help Pakistan develop into a stable, democratic state at peace with itself and its neighbors. But until recently the primary recipient of U.S. aid in Pakistan was the military and its Inter-Services Intelligence Directorate (ISI). U.S. cooperation, therefore, has strengthened the very actors—the Pakistani security establishment—that have served the interests of neither Pakistan nor the United States. It is time that policymakers in both countries rethink how this relationship should proceed.

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Five Decades of Aid to Pakistan, 1950–2001

From Independence to the Soviet Invasion of Afghanistan

It is not much of an exaggeration to state that since independence in 1947, Pakistan has been an aid-dependent nation. Some estimates suggest that the gross disbursement of overseas development assistance to Pakistan from 1960 to 2002 (in 2001 prices) was \$73.1 billion, from both bilateral and multilateral sources.¹ Almost 30 percent of this official development assistance came in the form of bilateral aid from the United States, the largest single bilateral donor by far.²

Assistance of this magnitude was made possible by the fact that Pakistan's leadership, especially its military leadership, clearly aligned itself with the United States during the Cold War. By joining SEATO (the Southeast Asia Treaty Organization) and CENTO (the Central Treaty Organization) and signing military and other pacts of cooperation with the United States in the 1950s and 1960s, Pakistan hoped to benefit from U.S. geopolitical support as well as financial and military assistance. The United States, in turn, viewed Pakistan as an ally and a hedge against perceived Soviet expansionism in the region.

American aid to Pakistan was vital during the 1960s. It helped play a significant part in numerous development projects, food support, and humanitarian assistance through the United States Agency for International Development (USAID) and other mechanisms.³ Thanks to this assistance, the United States was well-received by the people of Pakistan. By 1964, overall aid and assistance to Pakistan was around 5 percent of its GDP and was arguably critical in spurring Pakistani industrialization and development, with GDP growth rates rising to as much as 7 percent per annum.⁴ Though the United States decided to cut off most aid to Pakistan when Pakistan initiated the 1965 war with India over Kashmir, aid resumed after a few years, albeit at much lower levels.

Not only was aid vital in the 1960s, but it also was focused on civilian economic assistance. After a brief spike in the late 1950s, American military assistance and reimbursements in the 1960s were consistently below the total aid provided by USAID's predecessors and total economic assistance provided to Pakistan in those years.⁵ This balance may have contributed to the positive impact U.S. aid had until its termination after the second Kashmir war.

From the Soviet Invasion to 9/11

The Soviet invasion of Afghanistan in 1979 again precipitated increased U.S. development and military assistance as Pakistan became a frontline state in the

war against Soviet occupation. Large and undisclosed amounts of money and arms were channeled to the *mujahideen* fighting the Red Army in Afghanistan through Pakistan's military and its clandestine agencies, particularly the ISI. While this "aid" was not meant directly for Pakistan's military, there is ample evidence that significant funds meant for the Afghan *mujahideen* were pocketed by Pakistani officers.⁶ Pakistan also received money directly to provide for the rehabilitation of Afghan refugees and for the development of roads and communications infrastructure. Despite these funds, America's image in Pakistan had begun to decay by the 1980s because of the distrust among Pakistanis following America's failure to come to its assistance during the 1971 war with India, the perceived U.S. emphasis on fighting the Soviets rather than helping Pakistan, the growing Islamization of Pakistani society under Muhammad Zia ul-Haq, and the rise of political Islam after the 1979 Iranian Revolution.

The unprecedented increase in aid during the Soviet invasion of Afghanistan was reversed when President George H. W. Bush could no longer certify that Pakistan did not possess nuclear weapons in 1989 as required by the Pressler Amendment. Consequently, U.S. development assistance fell from \$452 million in 1989 to 1 percent of that in 1998 on account of the sanctions imposed by the United States.

On balance, U.S. assistance prior to 2001 neither put Pakistan on a path to self-sustaining growth nor recovered real value in terms of America's own Cold War objectives. Certainly, the expulsion of the Soviet Union from Afghanistan with strategic help from Pakistan was a major gain for Washington, but the Afghan campaign also ended up strengthening the praetorian state in Pakistan while doing little to aid its people, even as the stage was set for developments that would lead to the terrorist attacks of September 2001.

The events of September 11 would dramatically complete the change in the nature of U.S. aid to Pakistan from developmental aid, which dominated during the 1950s and 1960s, to purchasing Pakistan's cooperation in counterterrorism. While aid in the earlier decades focused on helping the people of Pakistan and in supporting economic growth, aid in the 1980s in particular began to strengthen the military and its clandestine institutions. Aid, which was largely productive in the earliest phase, thus gave rise to more damaging consequences in later years. Moreover, developmental aid and "war aid" were very different categories of support, producing very different results. The war aid disbursed to Pakistan's military, the ISI, and the Afghan *mujahideen*—although intended to serve America's purposes more than Pakistan's—ironically nurtured the very entities that were to cause serious problems three decades later.

The Complicated Issues of U.S. Aid, 2001–2010

9/11 and Military-Centric Aid

Table 1 shows that in FY 2002–2010 (and not including commitments such as the Enhanced Partnership with Pakistan Act of 2009), the United States gave Pakistan almost \$19 billion, or more than \$2 billion on average each year, with twice as much allocated in 2010 (\$3.6 billion) than in 2007. Over the period of 2002–2008, only 10 percent of this money “was explicitly for Pakistani development,” and as much as “75 percent of the money was explicitly for military purposes.” In more recent years the share of economic-related aid has risen, but it is still less than half.⁷

The United States has considered Pakistan an essential ally in the war on terrorism since 2001 and as part of its broader strategy has solicited Pakistani military operations in support of various counterterrorism operations. To compensate Pakistan’s military, the United States created the Coalition Support Fund (CSF), “designed to support only the costs of fighting terrorism over and above regular military costs incurred by Pakistan. Nearly two-thirds—60 percent—of the money that the United States gave Pakistan was part of the CSF.”⁸ According to Robert Gates, the secretary of defense at the time, CSF funds have been used to support approximately 90 Pakistani army operations and keep around 100,000 Pakistani soldiers in the field in the northwest of the country close to the Afghan border.⁹

Since 2009, a new category of security-related aid, the Pakistan Counterinsurgency Fund/Counterinsurgency Capability Fund (PCF/PCCF), has also been developed. The PCF/PCCF objectives are similar to those of the CSF, though with perhaps more focus on fighting insurgency within Pakistan, such as the Pakistan military’s Swat campaigns in 2009. This clearly is in both countries’ interests, and opinion polls show public support in Pakistan for combating violent extremists.

Unlike military aid, economic-related U.S. aid to Pakistan had been a much lower share of total aid until 2009. The primary purpose of aid to Pakistan has been counterterrorism, not economic support, the building of schools and hospitals, or development, broadly defined. Twenty-five percent of total aid between 2001 and 2008 was allocated for economic and development assistance, including food aid. Some \$5.8 billion of U.S. aid was spent in FATA (the Federally Administered Tribal Areas), the focus of most counterterrorism and counterinsurgency activity in Pakistan. Ninety-six percent of those funds were directed toward military operations, and only 1 percent toward development.¹⁰

Table 1. DIRECT OVERT U.S. AID AND MILITARY REIMBURSEMENTS TO PAKISTAN, FY 2002–FY 2011
(rounded to the nearest million dollars)

Program or Account	FY 2002– FY 2004	FY 2006	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010 (est.)	Program or Account Total	FY 2011 (req.)
1206	—	—	28	14	56	114	f	212	f
CN	—	8	24	49	54	47	43 f	225	f
CSF a	3,121 c	964	862	731	1,019	685 g	756 g	8,138 g	g
FC	—	—	—	—	75	25	—	100	—
FMF	375	299	297	297	298	300	288 i	2,154	296
IMET	3	2	2	2	2	2	5	18	4
INCLE	154	32	38	24	22	88	170 i	528	140
NADR	16	8	9	10	10	13	21	87	25
PCF/PCCF	—	—	—	—	—	400	700	1,100	1,200
Total Security-Related	3,669	1,313	1,260	1,127	1,536	1,674 h	1,983	12,562	1,665
CSH/GHCS	56	21	28	22	30	33	30	220	67
DA	94	29	38	95	30	—	—	286	—
ESF	1,003 d	298	337	394 e	347	1,114	1,292 i	4,785	1,322
Food Aid b	46	32	55	—	50	55	142	380	—
HRDF	3	2	1	11	—	—	—	17	—
IDA	—	—	70	50	50	103	89	362	—
MRA	22	6	10	4	—	60	42	144	—
Total Economic-Related	1,224	388	539	576	507	1,365 h	1,595	6,038	1,389
Grand Total	4,893	1,701	1,799	1,703	2,043	3,039h	3,578 i	18,756	3,054

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Sources: U.S. Departments of State, Defense, and Agriculture; U.S. Agency for International Development

Abbreviations

1206	Section 1206 of the National Defense Authorization Act (NDAA) for FY 2006 (P.L. 109–163, global train and equip)	IDA	International Disaster Assistance (Pakistani earthquake and internally displaced persons relief)
CN	Counternarcotics Funds (Pentagon budget)	IMET	International Military Education and Training
CSF	Coalition Support Funds (Pentagon budget)	INCLE	International Narcotics Control and Law Enforcement (includes border security)
CSH	Child Survival and Health (Global Health and Child Survival, or GHCS, from FY 2010)	MRA	Migration and Refugee Assistance
DA	Development Assistance	NADR	Non-proliferation, Anti-terrorism, Demining, and Related (the majority allocated for Pakistan is for antiterrorism assistance)
ESF	Economic Support Funds	PCF/ PCCF	Pakistan Counterinsurgency Fund/ Counterinsurgency Capability Fund (transferred to State Department oversight in FY 2010)
FC	Section 1206 of the NDAA for FY 2008 (P.L. 110–181, Pakistan Frontier Corps train and equip)		
FMF	Foreign Military Financing		
HRDF	Human Rights and Democracy Funds		

Notes

- a. CSF is Pentagon funding to reimburse Pakistan for its support of U.S. military operations. It is not officially designated as foreign assistance.
- b. P.L.480 Title I (loans), P.L.480 Title II (grants), and Section 416(b) of the Agricultural Act of 1949, as amended (surplus agricultural commodity donations). Food aid totals do not include freight costs, and total allocations are unavailable until the fiscal year's end.
- c. Includes \$220 million for FY 2002 Peacekeeping Operations reported by the State Department.
- d. Congress authorized Pakistan to use the FY 2003 and FY 2004 ESF allocations to cancel a total of about \$1.5 billion in concessional debt to the U.S. government.
- e. Includes \$110 million in Pentagon funds transferred to the State Department for projects in Pakistan's tribal areas (P.L. 110–28).
- f. This funding is “requirements-based”; there are no pre-allocation data.
- g. Congress appropriated \$1.2 billion for FY 2009 and \$1.57 billion for FY 2010, and the administration requested \$2 billion for FY 2011, in additional CSF for all U.S. coalition partners. In the past, Pakistan has received more than three-quarters of such funds. FY 2009–FY 2011 may thus include billions of dollars in additional CSF payments to Pakistan.
- h. Includes a “bridge” ESF appropriation of \$150 million (P.L. 110–252), \$15 million of which was later transferred to INCLE. Also includes FY 2009 supplemental appropriations of \$539 million for ESF, \$66 million for INCLE, \$40 million for MRA, and \$2 million for NADR.
- i. The FY 2010 estimate includes supplemental appropriations of \$259 million for ESF, \$40 million for INCLE, and \$50 million for FMF funds for Pakistan, as well as ongoing disaster relief in the food aid and IDA accounts.

Not only was economic aid heavily overshadowed by military and security-related aid, but until recently it was even lower than economic aid provided by other multilateral and bilateral donors. The funds that were provided were designated for primary education, literacy programs, basic health, food aid, and support for democracy, governance, and elections, with almost all of the funds going through and disbursed by USAID. Some cash transfers were also made available to the Pakistani government, but it was not “obliged to account for how this type of aid is spent,” and the “U.S. government has traditionally given these funds to the Pakistani government without strings attached.”¹¹

The United States has only recently begun to implement a longer-term strategy focusing on Pakistan's frontier regions for the tribal areas' sustainable development. However, for numerous obvious reasons, any development strategy in the frontier areas will continue to face insurmountable problems, especially regarding implementation and oversight. The frontier regions are not the most hospitable terrain at the best of times, and with a war taking place in the region, most American development efforts will be compromised. The Pakistani government, unfortunately, has been unwilling to do all it can to develop FATA or even the rest of Pakistan, and increase the effectiveness of American aid.

The Pakistani establishment does not see the war against extremists who target Afghanistan and the United States as its fight, and in the end it is the Pakistani establishment, primarily the military, that has called the shots in this aid relationship focused on military and security assistance.

Kerry-Lugar-Berman and a Rethinking of U.S. Aid

Since 2008, there has been a rethinking in the nature of U.S. assistance to Pakistan. The first major step was the promulgation of the Enhanced Partnership with Pakistan Act of 2009, or the Kerry-Lugar-Berman bill, which commits \$7.5 billion in non-military aid to Pakistan over a five-year period. The spending is mainly on social programs in education, health care, infrastructure development, poverty alleviation, and the like. However, it is still not clear when and how the legislation will actually start delivering aid to Pakistan, given the numerous procedures and processes. So far, in 2010 and 2011, according to newspaper reports, much less than the anticipated annual \$1.5 billion has been made available. The *Christian Science Monitor* reported that only \$285 million had been spent as of May 2011, according to the U.S. Embassy in Islamabad. The breakdown so far: “\$32.16 million for two dam projects, \$54.8 million on flood relief and recovery, \$39 million for students to study in the United States, \$45 million for higher education, \$75 million for income support to poor Pakistanis, and \$10.34 million for small infrastructure projects.”¹² Moreover, if FATA is an area that is expected to receive special economic and developmental assistance in the form of “reconstruction opportunity zones” and other mechanisms, many of the issues that emerged earlier in the decade, such as lack of appropriate oversight and follow-up, will reemerge.

Though civilian aid has been recently emphasized, military aid has remained an essential component of America’s efforts. A \$2 billion military aid package was announced in October 2010, which is meant for Pakistan “to buy American made arms, ammunitions, and accessories” from 2012 to 2016. U.S. officials hoped that “the announcement will reassure Pakistan of Washington’s long-term commitments to its military needs and help bolster its anti-insurgent efforts.”¹³

One essential point of departure from earlier U.S. strategy is the inclusion of conditionality in the Kerry-Lugar-Berman bill designed to increase the accountability of the Pakistani military and constrain the uses of American funds. The bill requires the secretary of state to certify that Pakistan’s military and intelligence agencies have stopped supporting “extremist and terrorist” groups, dismantled terrorist bases, and continued nonproliferation cooperation. The bill also prohibits the use of funds to upgrade or purchase F-16 aircraft, in an effort to focus U.S. assistance on counterterrorism activities instead of helping Pakistan build up capabilities focused against India. Perhaps most

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importantly, according to the legislation, U.S. assistance will be provided only to a freely elected government, a clause that is meant to work against attempts to undertake a military coup and that suggests a major departure from past practice.

These clauses should be welcomed, but they raise a particularly problematic question: Why does a civilian assistance package require so many conditions on the military that would have to be enforced by a weak civilian government—a government that is often unable to resist military demands? If, as most analysts on Pakistan agree, the military and some of its agencies are a law unto themselves, how will imposing conditions on a civilian government ensure that these conditions are adhered to by the military and its agencies? There has been little Pakistani civilian control over the military in the past, and even when civilians govern, the military is considered to be beyond their control in key decisions, particularly regarding some foreign policy issues and, of course, military intervention and strategy itself. For numerous reasons, civilian governments have been timid or hampered with regard to making bold decisions that affect the military.

Though the Enhanced Partnership with Pakistan Act has not been fully operationalized and we cannot yet judge the consequences of constraining the uses of U.S. funds, how the United States and Pakistan address the challenges over accountability will be essential in determining the viability of the U.S.-Pakistan aid relationship. Already some in the United States wonder how Secretary of State Hillary Clinton could have truthfully reported to Congress that Pakistan had met some of the key conditions required for aid to be continued, which includes demonstrating a “sustained commitment to and . . . significant efforts toward combating terrorist groups.”¹⁴ The discovery of bin Laden in Abbottabad was only the most dramatic example skeptics cite. If the Pakistani security establishment and the U.S. government both pretend that the conditions of the Kerry-Lugar-Berman bill are being met, when both know they are not, how can this be a basis for progress?

The focus of the bill speaks to political changes on both sides of the relationship. The 2002–2008 aid package was designed for a Republican administration in Washington and a military general in Islamabad. The relationship between the leaders of both countries, by all accounts, worked to their mutual advantage, with the U.S. administration getting access to Afghanistan and the Pakistani military maintaining its privileged position. A change in administration in both countries has shifted the dynamic between them. There is much less one-on-one interaction by the heads of state and more involvement by multiple actors in both countries. President Barack Obama has frequently sent the special envoy for the region, as well as the chairman of the Joint Chiefs of Staff, the director of the Central Intelligence Agency, and Cabinet secretaries to deal with their Pakistani counterparts, be they the civilian prime minister and president or the generals in

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charge of the army and the ISI. Despite weaknesses in the political arrangement and power balance in Pakistan, one major change has come about on account of the democratic transition in Pakistan: For once, civilian elected representatives are at least involved in discussions.

One bright spot in the aid relationship emerged soon after Pakistan's devastating floods in the late summer of 2010. The United States became one of the largest donors, providing in excess of \$400 million of humanitarian aid. Moreover, perhaps for the first time in decades, the United States was portrayed in a positive light. Private television newsreels showed U.S. troops flying helicopter sorties and saving the lives of Pakistanis stranded in the flood-affected areas. However, this positive coverage lasted only a few days before the same television channels were showing the footage of the destruction and death caused within Pakistan by U.S. drone attacks in the frontier regions. Any humanitarian and economic assistance to Pakistan's people will always be overshadowed by military-related aid and actions.

Has Aid Been Successful?

Given the large sums of money that the United States has invested in aid to Pakistan, assessing the success of these funds becomes critically important. What becomes clear almost immediately is that counterterrorism assistance since 2002 has not achieved the objectives of either the United States or Pakistan. In fact, it is not entirely clear that the Pakistani military shares the objectives of the United States, even as it receives billions in military aid. The United States has given Pakistan military aid primarily to conduct military operations that support supposedly common counterterrorism interests in the region. Whether the Pakistani military views the game plan in the same way is a different matter.

Assessing the actual impact of U.S. aid is, of course, difficult. Military action has been ongoing for the last decade, and the outcomes of both Pakistani and American actions are hard to discern. Even if broad questions, such as whether al-Qaeda in the region has been routed, could be answered, it would be almost impossible to assess to what extent the Pakistani military furthered this objective and whether military aid had been even partially effective. The killing of bin Laden by U.S. Navy SEALs a stone's throw from Pakistan's main military academy has raised many troubling questions for Pakistan's military high command and accentuates questions about Pakistan's broader role in the relationship with the United States and the use and impact of aid.

After six years of engagement in the region, the U.S. Department of Defense in December 2007 began a review of military aid to Pakistan, which found that while the United States was spending "significantly," it was "not seeing

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any results.”¹⁵ This prompted a change of focus of military funding by the Department of Defense to assist the Pakistani military with building a counterinsurgency force and with training Pakistani forces in FATA. The Coalition Support Fund is supposed to reimburse the Pakistani military “only in the cost incurred in fighting terrorism, over and above its normal military costs. . . . The United States has been assuming that Pakistan will use the funds for counterterrorism. But up until early 2009, the United States has given Pakistan the funds without attempting to set particular outcomes against terrorism which it expects.”¹⁶ From 2002 to 2007, Pakistan was approved for more than \$9.7 billion worth of weapon sales, and the United States “has traditionally assumed that the military equipment will be used for counterterrorism.”¹⁷

Despite this assumption, there has been little to no oversight of how the funds were actually spent, even given the potentially divergent goals of the American and Pakistani militaries. The Pakistani military in fact spent a large portion of aid funds to purchase conventional military equipment rather than to fight terrorism or advance U.S. foreign policy aims.¹⁸ The United States and Pakistan are said to be engaged in a “billing dispute of sizeable proportions” over the use of the billions of dollars provided by Washington to Islamabad. More than 40 percent of the claims put forward by Pakistan as compensation for military gear, food, water, troop housing, and other expenses have been rejected on the basis of “unsubstantiated” or “exaggerated” claims.¹⁹ A case in point has been the helicopters supplied by the United States, which Pakistan ended up using in Sudan while on UN peacekeeping duty. There are numerous other examples of how the Pakistani military has assumed that the aid is fungible, spending it on items not directly related to the purpose for which it was meant, and some U.S. officials have been reported as saying that “some of the aid is being diverted to the border with Pakistan’s traditional rival, India.”²⁰

It is not just the misappropriation of funds and insufficient oversight that concerns the United States. A large number of documents suggest that the Pakistani military is undermining the U.S. campaign and pursuing its own agenda. Recent reports in the American press have revealed that the Pakistani military is “playing both sides,” while the ISI has been protecting Taliban leaders within Pakistan. After the killing of bin Laden, Senate Select Committee on Intelligence Chairman Dianne Feinstein, a California Democrat, reportedly said that “there is an increasing belief that [Pakistanis] walk both sides of the road.”²¹ Nicholas Kristof wrote that “the United States has provided \$18 billion to Pakistan in aid since 9/11, yet Pakistan’s government shelters the Afghan Taliban as it kills American soldiers and drains the American Treasury.”²² A former U.S. ambassador to Afghanistan argued that “the United States should demand that Pakistan shut down all sanctuaries and military support programs for insurgents or else we will carry out operations against those insurgent havens, with or without Pakistani consent.”²³ Revelations by WikiLeaks reaffirm what has been known in private circles, that there are “deep clashes over strategic

goals on issues like Pakistan’s support for the Afghan Taliban and [its] tolerance of al-Qaeda,” and that there is “frustration at American inability to persuade the Pakistan army and intelligence agency to stop supporting the Afghan Taliban and other militants” expressed to Pakistani officials by U.S. diplomats.²⁴

Different possible explanations have been put forward as to why the Pakistani military would continue to so blatantly shelter insurgent leaders, perhaps even bin Laden. Some suggest that the use of these “proxy fighters” gives the Pakistani army the ability and opportunity to make use of them for the military’s regional designs, such as “strategic depth” in Afghanistan, and for destabilizing India, or, in fact, even to use them as a reason to ask for more aid. Whatever the explanations, there is little doubt that the Pakistani military establishment has supported and protected individuals and groups designated as terrorists.

In the aftermath of the bin Laden raid, American policymakers have openly wondered about the utility of military aid to Pakistan if some individuals and institutions were either complicit or incompetent regarding the presence of bin Laden. In either case, the Pakistani military and intelligence agencies come through rather poorly, which further begs the question of what purpose U.S. aid to Pakistan serves if such colossal failures, lapses, or outright duplicity occurs. Growing concern by U.S. officials and legislators has raised old questions afresh. Congressman Howard Berman, Democrat of California and one of the signatories to the Kerry-Lugar-Berman bill, has stated that “I don’t think our military assistance is serving the interests we are intending it to serve” and that aid “has not been effective.” Another Democratic congressman, Jim Moran of Virginia, who sits on the defense appropriations subcommittee, has gone one step further, suggesting that “we should cut off the military aid but not the economic development aid. We should insist the aid be used for education and economic development, but not for subsidizing the military presence on the border with India, which is what its [sic] being used for now.”²⁵ Former U.S. ambassador to Pakistan Anne Patterson wrote in a secret review in 2009 that “Pakistan’s army and ISI are covertly SPONSORING four militant groups—Haqqani’s HQN, Mullah Omar’s QST, Al Qaeda, and LeT—and will not abandon them for any amount of U.S. money,” as diplomatic cables released by WikiLeaks show.²⁶

The U.S. government has added teeth to these complaints by recently suspending about \$800 million in military aid, including reimbursements for costs incurred fighting terrorism on the Afghan border, military hardware, and training assistance.²⁷ The *New York Times* reported that the United States would likely resume aid if the relationship improves, but how exactly it might improve remains unclear.

By using its money more productively, lessening the waste caused by contractors and bureaucracy, and improving links with Pakistani nongovernmental organizations, the United States might see its money make a real, positive impact.

Americans are not the only ones disenchanted with the relationship. Many Pakistanis argue that because of the U.S. war on terrorism, Pakistan has been drawn into “America’s war,” with grave consequences. They cite figures demonstrating that as the U.S. role in the region has increased, and as the Pakistani military has been further drawn in, it has been Pakistanis who have overwhelmingly suffered. There were 189 deaths from terrorism-related violence in Pakistan in 2003; this number rose to 3,599 in 2007, and has grown even higher since. Pakistan’s prime minister recently stated that as many as 35,000 Pakistanis had been killed since 2001, and other officials have argued that more Pakistani soldiers have died fighting militants than the number of U.S. troops killed in Afghanistan. Pakistani government estimates suggest that Pakistan’s economy has suffered a loss of \$68 billion since 2002 on account of the war.²⁸ Many Pakistanis would argue that because Pakistan has helped the United States, the war has been brought into Pakistani cities and towns and has even been indirectly responsible for the death of former prime minister Benazir Bhutto. Clearly, it is impossible to assess the consequences of the war through counterfactuals, but there is a great deal of weight in these arguments. The United States is blamed for not containing terrorism in Afghanistan and allowing it to spread to Pakistan. Such impressions do not make for the friendly relationship or the positive image usually expected of aid.

A competing Pakistani viewpoint contends that with U.S. support and perhaps using U.S. pressure as an excuse, Pakistan and its military can play a leading role in rooting out terrorism and combating the rise of militancy and fundamentalism in Pakistan. The drone attacks in Pakistan’s northern frontier are a case in point. While Pakistani leaders publicly condemn such strikes for political mileage, there is evidence that they not only turn a blind eye to such attacks, but favor them, allowing the United States to eliminate terrorists that threaten Pakistan. WikiLeaks documents that appeared in the Pakistani press in May 2011 state that Pakistan’s military supports the drone attacks in private, but condemns them, as do the politicians, in public.²⁹

What emerges from both countries’ perspective is that post-9/11 U.S. aid has been focused mainly on carrying out counterterrorism operations, not helping the Pakistani people or the economy, or building democracy. This assistance has not achieved the counterterrorism objectives of the United States or Pakistan, even acknowledging that the objectives have been inadequately defined. It has had the effect, however, of strengthening the praetorian state further—thus reinforcing the very weaknesses of Pakistan’s democracy that the Americans decry.

The post-2008/2009 Kerry-Lugar-Berman bill has tried to change the focus of U.S. aid to Pakistan, but the larger issues of U.S. assistance are still unresolved, especially since the capture and killing of bin Laden, which, it seems, had less to do with U.S. aid to Pakistan directly, and more to do with independent

U.S. espionage and counterterrorism efforts. Kerry-Lugar-Berman funds have now been used mainly for infrastructure, not civil society investments as originally intended, which highlights another example of changing objectives in midstream and speaks to the relative ease of spending money on and verifying infrastructure projects. There have been severe absorption problems in the current aid tranche, with more money than there are worthwhile projects to fund. In addition, aid is not changing the perverse structural incentives—not increasing regional integration and not forcing the state to make better guns versus butter choices or focus on revenue collection. The United States can achieve much more by thinking about how to leverage its aid and actually be a game changer in Pakistan today. Currently, the United States is so focused on the war on terrorism that it loses sight of chances to enhance regional peace, stability, and security by changing its strategies and priorities in Pakistan. By using its money more productively, lessening the waste caused by contractors and bureaucracy, and improving links with Pakistani nongovernmental organizations, the United States might see its money make a real, positive impact.

American effort alone, however, will not be sufficient. Even Pakistani academics and scholars recognize that the Pakistan army has been, and continues to be, the most powerful institution in Pakistan. However, there is concern that U.S. aid to Pakistan’s military has only strengthened Pakistan’s military instead of strengthening its weak, fledgling, but emerging, democracy. Given the limited amounts of economic aid, there is little indication that U.S. assistance has had a marked effect on addressing Pakistan’s economic problems or its social indicators. Pakistan itself must step up if it expects to benefit from America’s largesse. A move to an accountable civilian government will be necessarily driven by Pakistanis, not Americans, and Pakistan must work to reform its military and civilian sectors so it can modernize and democratize on its own. One essential step will be weaning the state off its reliance on jihadist groups, so that Pakistan can truthfully claim to combat all terrorists, and not shelter those that it considers valuable.

The question being raised in Islamabad, as well as in Washington, as to what benefits U.S. aid brings to Pakistan, is being asked and answered for very different reasons. In Washington, the question being asked post–bin Laden is: What is or has the United States received in return for the \$20 billion of aid given to Pakistan? And the answer seems to be “not very much.” In Islamabad, the question being asked by politicians and civil society members is similar: What has U.S. aid delivered for the people of Pakistan? The answer again is “not very much, except that the military has benefited the most.”

Conclusions and Policy Recommendations

Both Pakistan and the United States have reason to be disappointed that so much U.S. aid has had so little positive impact. Though the United States hopes that

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this assistance will encourage Pakistan's army to help in the war on terrorism in the border regions of Pakistan, there has been no real evidence that the Pakistani army was on the same page as the U.S. administration in this regard, or that the Pakistan government and military felt as strongly about al-Qaeda and the Afghan Taliban as the U.S. administration. American soldiers continue to die at the hands of an enemy whose leaders find sanctuary in Pakistan.

Though it is difficult to speculate what would have happened if different policies had been pursued, the impact of this struggle on Pakistan has undoubtedly been severe. Despite this cost, it is also clear that the Pakistani government and its military have made efforts on the issue of domestic terrorism and perhaps even had some success. Many key issues related to sectarianism in Pakistan, militancy, and the rise of fundamentalism predate the 9/11 incident, although they have been exacerbated as a consequence of the war on Pakistan's border since 2001 and the drone attacks of more recent years.

In the past decade, it seems that there has been—perhaps even deliberately—a considerable lack of oversight in the aid relationship with Pakistan, and protocols and procedures have been ignored and not respected. Also, it seems that some amount of aid given by the United States for specific counterterrorism purposes has been used by the Pakistani military for very different purposes, such as the purchase of conventional weapons.

Since military aid has been two or three times as large as economic aid, the U.S. government has strengthened the hand of the military in Pakistan's political economy, sidestepping the elected civilian government because there is more trust in the ability of the Pakistani military. This has been a missed opportunity to strengthen and support democratic movements and institutions. The change in the relationship since 2009 might be able to reverse this balance.

Until now, direct U.S. economic aid has not had a critical impact on Pakistan's economy because it is too small, focused on particular areas and regions, and tied up in issues related to procedures, protocols, and contractors. Economic and financial support from the International Monetary Fund, World Bank, and other multilateral agencies has been far more critical to fostering economic stability in Pakistan. Despite this, the United States remains Pakistan's most important trading partner and has critical leverage over the economy. Pakistan receives 20 percent of its foreign remittances from the United States (around \$1.8 billion in 2009–2010). Also, 35 percent of foreign investment to Pakistan comes from the United States (around \$1 billion), and 18 percent of Pakistan's exports go to the United States (\$3.6 billion).

The key question, then, is why the United States continues to give aid to its ally, Pakistan, when it not only appears that much of that aid is not being used for its

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intended purposes, but also that dishonesty and duplicity are involved. From the Pakistani point of view, there seems to be little reason to be dependent on aid, since the Pakistani civilian and political leadership seems to get little out of it. The Pakistani military is the main beneficiary from this relationship, exploiting the pathology of too big—and too important—to fail. Since the Pakistani civilian political leadership is subservient to the military in terms of power, clout, and authority, it seems that the civilian leadership is doing the military's bidding, either voluntarily or through coercion.

Hence, it seems, the United States is paying a high price for getting just enough in return to keep it relevant and interested in continuing the aid, while reinforcing the military dominance that continues to complicate American antiterrorism objectives. Though the United States has received permission for drone attacks and NATO supplies, and occasional intelligence support, true counterterrorism cooperation has been lacking, and drone attacks and increasing violence infuriate ordinary Pakistanis. The Kerry-Berman-Lugar bill is a step in the right direction, shifting the relationship away from the myopic focus on the military and toward a more productive use of aid. Continuing this work will be a long and torturous process, but in the long run will serve the interests of both the United States and the Pakistani people, and it might just strengthen democracy in Pakistan.

The Kerry-Berman-Lugar bill is a step in the right direction, shifting the relationship away from the myopic focus on the military and toward a more productive use of aid.

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