



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 19, 2009

S. 962 **Enhanced Partnership with Pakistan Act of 2009**

*As ordered reported by the Senate Committee on Foreign Relations
on June 16, 2009*

SUMMARY

S. 962 would authorize the appropriation of up to \$1.5 billion a year over the 2009-2013 period—a total of up to \$7.5 billion over five years—for nonsecurity assistance to Pakistan. CBO estimates that implementing S. 962 would cost about \$4.8 billion over the 2010-2014 period, assuming appropriation of the authorized amounts. Enacting the bill would not affect direct spending or revenues.

S. 962 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

S. 962 could impose a private-sector mandate, as defined in UMRA, on exporters of major defense equipment. If the Secretary of State does not certify that the security forces of Pakistan have met certain security standards by 2012 or does not waive the requirement for such certification, the bill would prohibit the export of major defense equipment to Pakistan. CBO cannot determine whether the cost of the mandate, if imposed, would exceed the annual threshold established in UMRA for private-sector mandates (\$139 million in 2009, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 962 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars					2010-
	2010	2011	2012	2013	2014	2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION^a						
Authorization Level	1,500	1,500	1,500	1,500	0	6,000
Estimated Outlays	301	858	1,150	1,355	1,151	4,815

a. In addition, S. 962 would authorize the appropriation of up to \$1.5 billion for nonsecurity assistance to Pakistan in 2009. However, the Congress has already appropriated amounts for nonsecurity assistance to Pakistan for fiscal year 2009, enacted in the Omnibus Appropriations Act, 2009 (Public Law 111-8) on March 11, 2009. Additional appropriations for such assistance for fiscal year 2009 will be provided by the Supplemental Appropriations Act, 2009 (H.R. 2346), which was cleared by the Congress on June 18, 2009. CBO assumes there would be no additional funding for assistance to Pakistan for this year.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the end of fiscal year 2009, that the authorized amounts will be appropriated each fiscal year over the 2010-2014 period, and that outlays will follow historical spending patterns for existing programs.

Assistance to Pakistan

Section 5 would authorize the appropriation of up to \$1.5 billion a year over the 2009-2013 period for assistance programs in Pakistan and would require the administration to prepare semi-annual reports on the implementation of those programs. In general, those funds would be used for projects intended to benefit the people of Pakistan, including those that promote democratic governance, economic development, civil society, and recovery from internal conflict. In addition, of the amounts authorized for a fiscal year, up to \$10 million could be used to administer those programs, up to \$30 million could be used to audit those programs, and up to \$5 million could be used to establish a Chief of Mission Fund that would address urgent humanitarian needs.

CBO expects that the \$1.5 billion authorized to be appropriated for 2009 would not be provided. The Congress has already appropriated amounts for nonsecurity assistance to Pakistan for 2009, enacted in the Omnibus Appropriations Act, 2009 (Public Law 111-8) on March 11, 2009. Additional appropriations for such assistance for 2009 will be provided by the Supplemental Appropriations Act, 2009 (H.R. 2346), which was cleared by the Congress on June 18, 2009. In total, those appropriations provide approximately

\$1.3 billion for nonsecurity assistance to Pakistan in 2009. CBO assumes there would be no additional funding for assistance to Pakistan for this year. Assuming appropriation of the amounts authorized for 2010 through 2014, CBO estimates that implementing this provision would cost about \$4.8 billion over that period.

Limitations on Nonsecurity Assistance

The bill would limit the availability of amounts authorized to be appropriated in section 5 unless the Secretary of State submits to the appropriate congressional committees a report describing U.S. policy and strategy with respect to assistance to Pakistan. In addition, the bill would limit the availability to half of the amounts authorized to be appropriated each year unless the President's Special Representative to Afghanistan and Pakistan certifies that assistance provided under the act is helping Pakistan make substantial progress toward achieving the objectives contained in the Pakistan Assistance Strategy Report mentioned above. The bill would allow the Secretary of State to waive that certification requirement in the interests of national security. CBO expects that the Secretary would exercise the waiver authority if the President's Special Representative were unable to make the necessary certification, and thus, implementing that provision would have no significant effect on spending subject to appropriation.

Limitations on Security Assistance

Section 6 would limit certain military assistance after 2009 and arms transfers after 2011 to Pakistan unless the Secretary of State certifies that Pakistani security forces are not materially interfering in their country's judicial or political processes and that they are making concerted efforts to prevent terrorist and militant groups from operating in Pakistan or using it as a sanctuary. The bill would allow the Secretary to waive those certification requirements in the interests of national security. CBO expects that the Secretary would exercise the waiver authority if she were unable to make the necessary certification, and thus, implementing that section would have no significant effect on spending subject to appropriation.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 962 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 962 could impose a private-sector mandate, as defined in UMRA, on exporters of major defense equipment to Pakistan if the Secretary of State does not certify that the security forces of Pakistan have met certain security standards by fiscal year 2012. If the Secretary does not issue such certification, the bill would prohibit the necessary licenses and programs for private entities to export major defense equipment to Pakistan. However, the bill would allow the Secretary of State to waive the prohibition of exports of major defense equipment if the Secretary determines it is important to the national security interests of the United States to provide such waiver. CBO expects that the Secretary would exercise such a waiver. In the event that such exports are prohibited, the cost to comply with the mandate would be the foregone net income attributed to the sale of major defense equipment to Pakistan. According to industry experts and the Defense Security Cooperation Agency, the value of major defense equipment exported to Pakistan has varied from hundreds of millions of dollars per year to billions of dollars per year. Because of uncertainty about the future income from such sales, CBO cannot determine whether the cost of the mandate, if imposed, would exceed the annual threshold established in UMRA for private-sector mandates (\$139 million in 2009, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Costs: John Chin

Impact on State, Local, and Tribal Governments: Burke Doherty

Impact on the Private Sector: Jacob Kuipers

ESTIMATE APPROVED BY:

Theresa Gullo

Deputy Assistant Director for Budget Analysis