



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

May 22, 2009

**H.R. 1886
PEACE Act of 2009**

*As ordered reported by the House Committee on Foreign Affairs
on May 20, 2009*

SUMMARY

H.R. 1886 would establish a Pakistan Democracy and Prosperity Fund and authorize the appropriation of \$1.5 billion a year over the 2010-2013 period—a total of \$6 billion over four years—to provide nonsecurity assistance to Pakistan. The bill also would establish a Pakistan Counterinsurgency Capabilities Fund and authorize the appropriation of \$700 million in 2010 and such sums as may be necessary over the 2011-2013 period—an estimated total of \$2.9 billion over four years—for counterinsurgency and counterterrorism assistance to Pakistan. Finally, the bill would authorize the appropriation of \$400 million a year over the 2010-2013 period—a total of \$1.6 billion over four years—for other security assistance to Pakistan.

CBO estimates that implementing the bill would cost \$9.1 billion over the 2010-2014 period, assuming appropriation of the authorized and estimated amounts. Enacting the bill would not affect direct spending or revenues.

H.R. 1886 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1886 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					2010-2014
	2010	2011	2012	2013	2014	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Pakistan Democracy and Prosperity Fund						
Authorization Level	1,500	1,500	1,500	1,500	0	6,000
Estimated Outlays	279	836	1,137	1,351	1,175	4,778
Pakistan Counterinsurgency Capabilities Fund						
Estimated Authorization Level	700	711	725	744	0	2,880
Estimated Outlays	470	680	716	734	240	2,840
Security Assistance for Pakistan						
Authorization Level	400	400	400	400	0	1,600
Estimated Outlays	163	326	373	391	233	1,486
Total Changes						
Estimated Authorization Level	2,600	2,611	2,625	2,644	0	10,480
Estimated Outlays	912	1,842	2,226	2,476	1,648	9,104

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the end of fiscal year 2009, that the authorized and estimated amounts will be appropriated each fiscal year, and that outlays will follow historical spending patterns for similar activities.

Pakistan Democracy and Prosperity Fund

Section 104 would establish a permanent Pakistan Democracy and Prosperity Fund in the U.S. Treasury to provide all social and economic development assistance to Pakistan. Section 105 would authorize the appropriation of \$1.5 billion a year over the 2010-2013 period to provide such nonsecurity assistance. CBO estimates that implementing this program would cost about \$4.8 billion over the 2010-2014 period.

Section 104 also would authorize the President to accept funds from other governments and nongovernmental sources for nonsecurity assistance to Pakistan. To the extent those amounts were provided in advance in appropriations acts, the President would be authorized to make them available to the Pakistan Democracy and Prosperity Fund. Any such donations would increase offsetting collections (a credit against discretionary spending) and the spending of those collections would count as new discretionary spending. CBO estimates that initially the fund would receive and spend donations of less than \$500,000 a year, but that those amounts could be significant in later years. However, any collections and spending would offset each other, so we estimate that, on net, such collections would not have a significant budgetary impact in any year.

Pakistan Counterinsurgency Capabilities Fund

Section 204 would establish a Pakistan Counterinsurgency Capabilities Fund in the U.S. Treasury to provide counterinsurgency and counterterrorism assistance to Pakistan. This section would authorize the appropriation of \$700 million in 2010 and such sums as may be necessary over the 2011-2013 period to provide such assistance. CBO estimates that appropriations would remain at 2010 levels, adjusted for inflation, through 2013. The Secretary of State would be authorized to use amounts in this fund with the concurrence of the Secretary of Defense, and would be further authorized to transfer amounts in the fund to the Department of Defense or other agencies for the same purposes. CBO estimates that implementing section 204 would cost about \$2.8 billion over the 2010-2014 period.

Security Assistance for Pakistan

Section 207 would authorize the appropriation of \$400 million a year over the 2010-2013 period for other security assistance to Pakistan. Of the authorized amounts, a minimum of \$300 million a year would be to provide grants under the Foreign Military Financing program and no less than \$4 million a year would be provided for assistance under the International Military Education and Training program. The Secretary of State also would be authorized to establish a Pakistan Military Transition Program, an exchange program between military and civilian personnel of Pakistan, countries in transition to democracy, and North Atlantic Treaty Organization member countries. CBO estimates that implementing those provisions would cost about \$1.5 billion over the 2010-2014 period.

Limitation on Military Assistance

Section 206 would prohibit certain military assistance to Pakistan after 2010 unless the President determines that the Government of Pakistan is continuing to cooperate with the United States in nonproliferation efforts and has demonstrated a sustained commitment to and making progress towards combating terrorist groups. The bill would allow the President to waive those requirements in the interests of national security. CBO expects that the President would exercise the waiver authority if he were unable to make the necessary determination, and thus, CBO estimates that implementing this section would have no significant effect on spending.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1886 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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