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# Quarterly Progress and Oversight Report on the Civilian Assistance Program in Pakistan

As of June 30, 2010



# Foreword

This is the second quarterly progress and oversight report on the U.S. Government's civilian assistance program in Pakistan. The report was requested by the U.S. Embassy in Pakistan and is intended to inform stakeholders about progress achieved to date, problems encountered during program implementation, and actions taken to address them.

This report covers April 1 through June 30, 2010. For fiscal year (FY) 2010, \$1.458 billion has been appropriated to support the assistance strategy in Pakistan. However, most of the appropriated funds have not yet been received at the field level. The U.S. Embassy reports that \$424.4 million in FY 2010 funds have been obligated as of June 30, 2010.

The information on program status in this report is based on information provided by the departments and agencies working in Pakistan—the U.S. Agency for International Development (USAID), the Department of State, the Department of Agriculture, and the Department of Commerce. The program oversight results are taken from audits, investigations, and inspections performed by the Offices of Inspector General for USAID, the Department of State, and the Department of Defense, as well as by the U.S. Government Accountability Office.

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/s/

The Honorable Donald A. Gambatesa  
Inspector General  
U.S. Agency for International Development

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/s/

The Honorable Harold W. Geisel  
Deputy Inspector General  
Department of State

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/s/

The Honorable Gordon S. Heddell  
Inspector General  
Department of Defense

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# Executive Summary

U.S. assistance to Pakistan is authorized by the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73, 123 Stat. 2060). The act authorizes a total of \$7.5 billion for fiscal years (FY) 2010 through 2014 to support programs for democratic, economic, and development assistance. The U.S. Department of State's (DOS) strategy report for providing civilian assistance outlines three key objectives:

- Improve the Government of Pakistan's capacity to address the country's most critical infrastructure needs.
- Help the Pakistani Government address basic needs and provide improved economic opportunities in areas most vulnerable to extremism.
- Strengthen Pakistan's capacity to pursue economic and political reforms that reinforce stability.

For FY 2010, Congress appropriated \$1.458 billion. As of June 30, 2010, nearly \$2.141 billion in FY 2009 and FY 2010 funds have been obligated to implement the programs identified in the civilian assistance strategy.

These funds support U.S. Government assistance programs and align with the three broad categories identified in the assistance strategy: high-impact, high-visibility infrastructure; focused humanitarian and social services; and government capacity development.

The U.S. Agency for International Development (USAID) reports a significant increase in awards to Pakistani institutions. As of June 30, 2010, 33 awards totaling \$875.5 million had been made. To overcome the challenges presented by the limited institutional capacity of some Pakistani institutions, strategies have been developed including preaward audits of local implementing partners, capacity-building assistance, and procedures to ensure accountability for U.S. assistance funds. However, other issues, such as security threats, staffing shortages, and delays in processing visas for U.S. officials, continue to impede the implementation and monitoring of assistance programs.

Oversight entities have also taken steps to ensure that U.S. Government funds are protected against waste and theft. For example, the DOS and USAID Offices of Inspector General (OIGs) have established field offices in Pakistan, and the USAID OIG has provided training to auditors from the Office of the Auditor General; conducted joint investigations with the National Accountability Bureau; provided fraud awareness training; and collaborated with USAID/Pakistan to establish a fraud hotline.

During the period covered by this report, April 1 through June 30, 2010, USAID OIG completed one performance audit, one performance review, and two financial audits. The performance audit, of USAID/Pakistan's Primary Healthcare Revitalization, Integration and Decentralization in Earthquake-Affected Areas Project, focused on improving access to and the quality of primary health care services. The audit found that the project has contributed to improving the quality of primary health care

services, but more work remains to be done to improve access to these services. OIG's review of USAID's programs for internally displaced persons (IDPs) in Pakistan found that USAID's methods for monitoring activities in high-threat environments needed improvement, as did controls over payments intended for IDPs. One financial audit—on the management of USAID funds to Forman Christian College for a degree program in basic science and technology—did not identify any significant deficiencies or any instances of noncompliance with applicable laws and regulations, or agreement provisions. The other financial audit, conducted on USAID funds managed by Khushhali Bank to improve access to microfinance services and to strengthen the bank as a microfinance institution, identified \$65,652 in questioned costs, as well as \$24,282 in cost-sharing contributions by the bank that were also questioned. In addition to these audit activities, USAID OIG closed five investigative cases. One case resulted in the termination of the employment of a USAID personal services contractor who had used his position to obtain employment for relatives with a USAID-funded partner.

During the same period, the U.S. Government Accountability Office (GAO) issued one performance audit that covered the planning and documentation of U.S. development assistance in the Federally Administered Tribal Areas (FATA). GAO found that planning and documentation of U.S. development assistance programs need to be improved. U.S. development objectives in FATA are generally aligned with U.S. national security goals and Pakistan's FATA development plans, but joint plans by USAID and Pakistan had not yet been completed. Also, some key elements and documentation for programs were missing or not collected in performance management plans and reports. Further, GAO found that USAID could not apply the direct monitoring procedures for development assistance called for in its guidance, because of security challenges, and did not always document its use of indirect monitoring procedures. GAO made several recommendations to DOS and USAID and noted the importance of enhancing oversight in light of the \$7.5 billion in assistance for Pakistan authorized by the act.

# Background

In May 2010, the Administration's U.S. National Security Strategy reaffirmed Pakistan's strategic importance to the United States:

[W]e will foster a relationship with Pakistan founded upon mutual interests and mutual respect. To defeat violent extremists who threaten both of our countries, we will strengthen Pakistan's capacity to target violent extremists within its borders, and continue to provide security assistance to support those efforts. To strengthen Pakistan's democracy and development, we will provide substantial assistance responsive to the needs of the Pakistani people, and sustain a long-term partnership committed to Pakistan's future. The strategic partnership that we are developing with Pakistan includes deepening cooperation in a broad range of areas, addressing both security and civilian challenges, and we will continue to expand those ties through our engagement with Pakistan in the years to come.<sup>1</sup>

Demonstrating their shared commitment to the United States-Pakistan partnership, Secretary of State Hillary Clinton and Foreign Minister Shah Mahmood Qureshi engaged in a strategic dialogue in late March 2010, the first to be held at the ministerial level.<sup>2</sup> Secretary Clinton said the U.S. Administration would work with Pakistan to improve its agricultural infrastructure and would endeavor to provide Pakistan greater access to U.S. markets.<sup>3</sup> The two officials signed a letter of intent to upgrade major road infrastructure in northwest Pakistan, as well as implementation agreements for three thermal power station rehabilitation projects to remedy electricity shortages in the country. Follow-on meetings of strategic dialogue working groups—including those for agriculture, water, and energy—took place in Islamabad the week of June 14.

Since the strategic dialogue, Pakistan has taken steps to decentralize government authority and improve transparency. On April 19, 2010, President Asif Ali Zardari signed an amendment to Pakistan's constitution that limits Presidential power—especially the power to dismiss Parliament under unspecified emergency provisions—and increases that of the Prime Minister, the other branches of government, and the provincial governments. The amendment mandates local governments in all four provinces, increases representation of religious minorities in the Senate, requires the transparent appointment of judges and the chief election commissioner, and changes the name of the North-West Frontier Province to Khyber Pakhtunkhwa.<sup>4</sup>

Assistance to Pakistan is authorized by the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73, 123 Stat. 2060), a bipartisan bill sponsored by Senators John Kerry and Richard Lugar, Representative Howard Berman, and others. The act articulates the U.S. Government's intention to work with the Government of Pakistan to build mutual trust and confidence by actively and consistently

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<sup>1</sup> *National Security Strategy 2010*, White House, May 27, 2010.

<sup>2</sup> U.S.-Pakistan Strategic Dialogue, Washington, DC, March 24, 2010; U.S. Embassy Islamabad, "U.S.-Pakistan Strategic Dialogue."

<sup>3</sup> Voice of America, "U.S.-Pakistan Strategic Dialogue," April 4, 2010.

<sup>4</sup> Colin Cookman, "The 18th Amendment and Pakistan's Political Transitions," Center for American Progress, April 19, 2010.

pursuing a sustained, multifaceted relationship devoted to strengthening mutual security, stability, and prosperity. The act authorizes \$1.5 billion per year for fiscal years (FY) 2010 through 2014, for a total of \$7.5 billion, to support democratic, economic, development, and security assistance. Appendix I presents the key provisions of the act.

On December 14, 2009, DOS provided Congress a report on its strategy for providing democratic, economic, and development assistance.<sup>5</sup> The strategy report outlines three key objectives:

- Improve the Pakistani Government’s capacity to address the country’s most critical infrastructure needs.
- Help the Pakistani Government address basic needs and provide improved economic opportunities in areas most vulnerable to extremism.
- Strengthen Pakistan’s capacity to pursue economic and political reforms that reinforce stability.

The programs envisioned to achieve these objectives fall under five areas: (1) high-impact, high-visibility infrastructure programs, (2) focused humanitarian and social services—immediate postcrisis and humanitarian assistance, (3) focused humanitarian and social services—increased access to and quality of education and health services, (4) government capacity development—improved national and local governance, and (5) government capacity development—improved security and legal institutions. Table I presents programs in these areas, along with funding levels planned for FY 2010–14.

**Table I. Projected U.S. Assistance to Pakistan, FY 2010–14**

<b>Activities</b>	<b>(\$ Millions)</b>
<b>Investment in high-impact, high-visibility infrastructure programs</b>	<b>3,500</b>
Agriculture	2,000
Support for permanent solutions to Pakistan’s energy crisis	1,000
Other infrastructure	500
<b>Focused humanitarian and social services</b>	<b>2,000</b>
Immediate postcrisis and other humanitarian assistance	500
Increased access to and quality of education and health services	1,500
<b>Government capacity improvement</b>	<b>2,000</b>
Improved national and local governance	1,000
Improved security and legal institutions	1,000
<b>Total</b>	<b>7,500</b>

Source: U.S. Department of State, *Pakistan Assistance Strategy Report*, December 14, 2009

The outcomes envisioned by the Enhanced Partnership with Pakistan Act will not be achieved easily. The U.S. Government’s plan to channel 50 percent of FY 2010 funds through Pakistani institutions

<sup>5</sup> U.S. Department of State, *Pakistan Assistance Strategy Report*, December 14, 2009.

represents a fundamental change in civilian assistance delivery. This approach has raised concerns about the capacity of Pakistani institutions to manage a large volume of assistance funds transparently and responsibly. For example, the Senate Foreign Relations Committee has expressed concerns that too much money delivered too fast to Pakistani institutions could place U.S. assistance funds at risk,<sup>6</sup> and Senator Richard Lugar has written about Pakistani delays in approving visa applications for U.S. diplomats and other U.S. personnel who are needed to deliver assistance.<sup>7</sup>

In his response to these concerns, Special Representative Richard Holbrooke outlined steps to ensure that assistance is used for authorized purposes and properly accounted for:

- Federal and provincial agencies receiving funding have been chosen after considering their experience in working with international agencies and their accounting safeguards.
- The U.S. Government will install accountants in Pakistani institutions and establish units in Pakistan Government ministries to help manage projects and mentor ministry staff.
- The U.S. Government has established OIG offices in Islamabad for both USAID and DOS.
- Assistance plans will be posted on both the U.S. Embassy and USAID Web sites to increase transparency.<sup>8</sup>

As for aligning assistance with Pakistani priorities, Ambassador Holbrooke described the importance of consultations between the Governments of the United States and Pakistan at the federal, provincial, and local levels, and with Pakistani civil society. Ambassador Holbrooke also pointed out that the United States is pooling resources with the Asian Development Bank, the World Bank, and other international financial institutions to bring about structural reform and greater investment in the energy sector, which is critical to economic growth. The U.S. Government is also urging Pakistan to enlarge its revenue base so that it can spend more of its own resources on health and education.

Ambassador Holbrooke indicated that the allocation of funds and identification of projects and partners are just beginning to accelerate. Also, he noted that, although the U.S. approach “may slow spending rates, it is critical to ensuring our assistance contributes to our political, economic and social objectives in Pakistan.” As the United States shifts ownership of development funding toward the Pakistani Government and civil society, monitoring the effectiveness and accountability of Pakistani agencies will become increasingly important.

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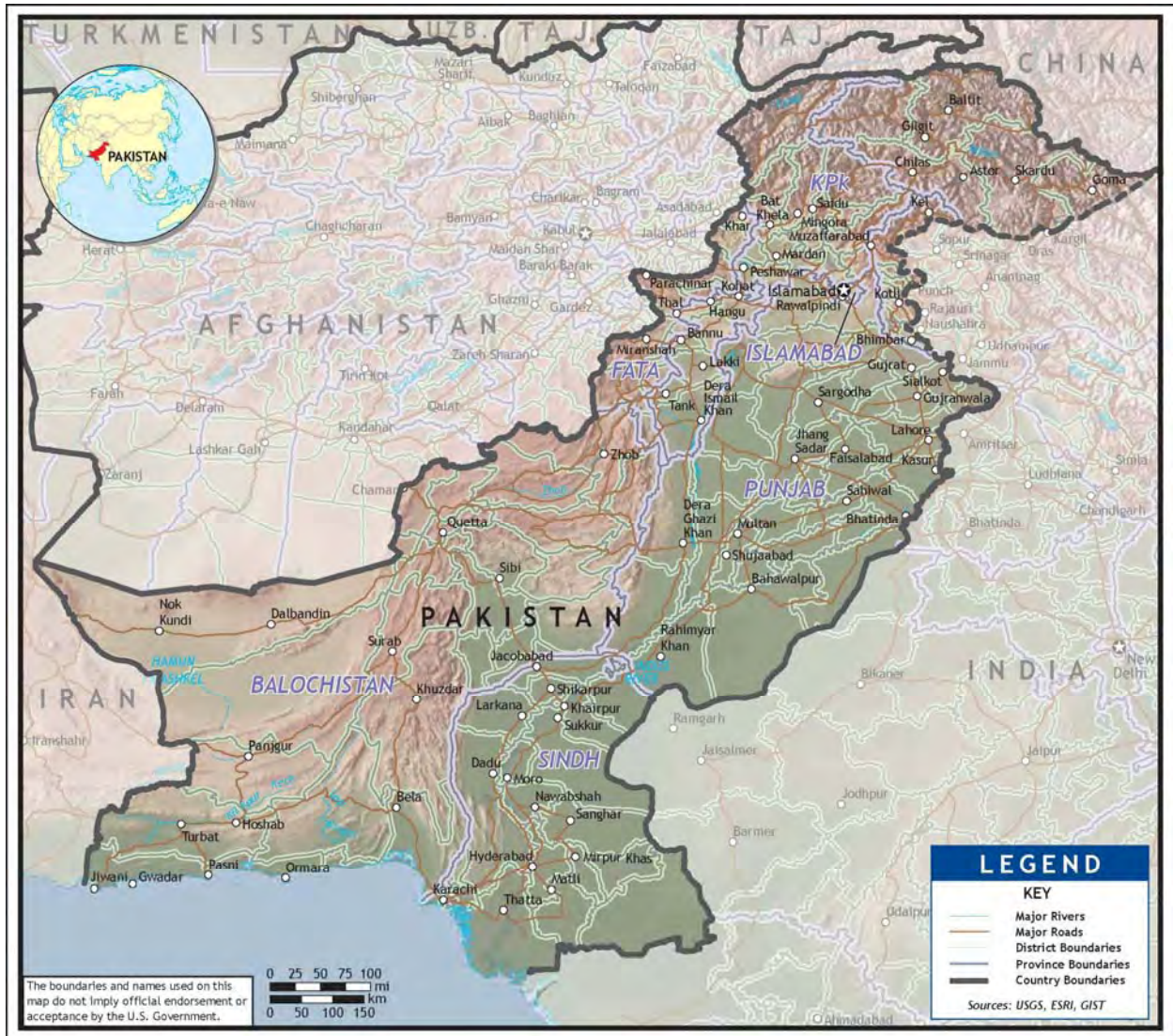
<sup>6</sup> Attachment to letter from Senator John F. Kerry (Chairman of the Senate Committee on Foreign Relations) to Special Representative for Afghanistan and Pakistan Richard Holbrooke, May 25, 2010.

<sup>7</sup> Senator Richard Lugar, “Still Partners: Pakistan Needs U.S. Help Now More Than Ever,” Foreign Policy.com, May 6, 2010.

<sup>8</sup> Letter from Special Representative for Afghanistan and Pakistan Richard Holbrooke to Senator John F. Kerry, June 14, 2010.



**Figure I. Map of Pakistan**



Source: USAID's Office of Transition Initiatives, Geographic Information Unit

# Program Status

The U.S. departments and agencies delivering development assistance in Pakistan are implementing, designing, and negotiating programs to implement the strategies that support Title I of the Enhanced Partnership with Pakistan Act. An overview of the status of current and new programs is provided in the following sections.

The U.S. Embassy reports that as of June 30, 2010, \$2.141 billion in FY 2009 and 2010 funds have been obligated to support the civilian assistance strategy (Table 2). Expenditure information corresponding to these obligations was not provided.

**Table 2. Program Financial Status as of June 30, 2010**  
(\$ Millions; Unaudited)

Program	Manager	FY 2009 Obligations	FY 2010 Obligations	Total Obligations	FY 2009 and Prior Pipeline*
<b>High-Impact, High-Visibility Programs</b>					
International Trade Administration	U.S. Department of Commerce	0.8	0.8	1.6	1.6
Foreign Agriculture Programs	U.S. Department of Agriculture	44.0	–	44.0	20.0
USAID Transfer to U.S. Trade and Development Agency (USTDA)	USTDA	5.0	5.0	10.0	4.8
FATA Roads/Bridges	Narcotics Affairs Section (NAS), U.S. Embassy Islamabad	15.0	–	15.0	14.4
FATA Roads (SWAT, Ring-Road)	NAS	40.0	–	40.0	40.0
Energy	USAID	125.0	–	125.0	93.1
Economic Growth	USAID	172.0	–	172.0	277.0
Agriculture	USAID	95.0	–	95.0	–
<b>Subtotals</b>		<b>496.8</b>	<b>5.8</b>	<b>502.6</b>	<b>450.9</b>
<b>Focused Humanitarian and Social Services</b>					
Mine Action (Response International)	Political Affairs Section (POL), U.S. Embassy Islamabad	0.5	–	0.5	0.2
Health/Water	USAID	102.0	–	102.0	84.9
Education	USAID	163.5	64.5	228.0	262.8
Humanitarian Assistance	USAID	209.0	75.0	284.0	152.7

Program	Manager	FY 2009 Obligations	FY 2010 Obligations	Total Obligations	FY 2009 and Prior Pipeline*
Humanitarian Programs (Office of Foreign Disaster Assistance)	USAID	105.8	1.8	107.6	17.0
Health	USAID	33.5	0.0	33.5	–
World Food Programme	USAID	55.4	98.3	153.7	–
USAID Transfer to UN Bhutto Commission	United Nations	1.0	–	1.0	–
Humanitarian Assistance in FATA (Department of Defense)	U.S. Department of State	0.1	–	0.1	9.9
Mitigating Child Labor	U.S. Department of Labor	–	4.0	4.0	–
Trafficking in Persons	POL	0.5	–	0.5	0.4
Pakistan Internally Displaced Persons	POL	59.6	–	59.6	–
Afghan Refugees	POL	80.9	–	80.9	–
Fulbright	Public Affairs Section (PAS), U.S. Embassy Islamabad	19.5	19.5	39.0	–
Other Exchanges	PAS	35.0	30.0	65.0	–
Public Diplomacy Operating Expenses	PAS	2.0	2.0	4.0	–
<b>Subtotals</b>		<b>868.3</b>	<b>295.1</b>	<b>1163.4</b>	<b>527.9</b>
<b>Government Capacity Improvement</b>					
Drug Enforcement Programs	Drug Enforcement Administration	1.5	1.5	3.0	–
Energy Programs	Department of Energy	66.6	94.2	160.8	47.4
Department of Homeland Security (DHS)/Immigration & Customs Enforcement	DHS	1.1	1.1	2.2	–
Federal Bureau of Investigation (FBI)/Legal attaché	FBI	1.0	1.8	2.8	1.3
Democracy, Human Rights, Labor	POL	–	–	–	2.2
Democracy—National Endowment for Democracy	POL	–	–	–	–
Counternarcotics	NAS	3.0	–	3.0	5.6
Border Security (Aviation)	NAS	37.0	–	37.0	35.9
Border Security (Commodities, Training)	NAS	0.2	–	0.2	6.3
Police/Law Enforcement Training/Rule of Law	NAS	51.0	–	51.0	70.1

Program	Manager	FY 2009 Obligations	FY 2010 Obligations	Total Obligations	FY 2009 and Prior Pipeline*
Demand Reduction/Awareness	NAS	0.5	–	0.5	1.2
Program Development and Support	NAS	9.8	2.0	11.8	1.0
Counterterrorism	Regional Security Office, U.S. Embassy Islamabad	11.8	–	11.8	0.2
Biosecurity Engagement	Economic Affairs Section, U.S. Embassy Islamabad	12.5	15.0	27.5	17.1
U.S. Institute for Peace (USIP)	USIP	–	0.9	0.9	0.3
Democracy/Governance	USAID	50.0	–	50.0	49.8
Office of Transition Initiatives	USAID	68.0	–	68.0	32.9
<b>Subtotals</b>		<b>314.0</b>	<b>116.5</b>	<b>430.5</b>	<b>271.3</b>
<b>Other Programs</b>					
Strategic Communications	U.S. Department of Defense	7.0	7.0	14.0	–
Strategic Communications	PAS	30.9	–	30.9	–
<b>Subtotals</b>		<b>37.9</b>	<b>7.0</b>	<b>44.9</b>	<b>–</b>
<b>Totals</b>		<b>1,717.0</b>	<b>424.4</b>	<b>2,141.3</b>	<b>1,250.1</b>

\* At the request of U.S. Embassy Islamabad, pipeline data are included that capture unspent funds from FY 2009 back to FY 2002. These data are not comparable to FY 2009 and 2010 obligations or accurate indicators of expenditures for those years.

Source: U.S. Embassy Islamabad

## High-Impact, High-Visibility Infrastructure Programs

As the name implies, this category of assistance is intended to make a big difference in the Pakistani economy, a difference that improves people's livelihoods quickly, noticeably, and directly. The sectors in which infrastructure programs are most critical are energy and agriculture—energy because all businesses rely on it, and agriculture because it employs 60 percent of the population and consumes 90 percent of the country's water. Chronic shortages of both power and water limit economic growth, as does inadequate infrastructure for agroenterprise. In the energy sector, the U.S. Government has joined international financial institutions and other international donors to rehabilitate infrastructure, improve the management and oversight of power distribution, diversify energy sources, and reform energy policy. In the agricultural sector, the U.S. Government focuses on improving water storage, canals, and irrigation services, as well as on expanding cold storage facilities to boost agricultural exports. Such programs are supported by USAID, the U.S. Department of Agriculture (USDA), the U.S. Department of Commerce (DOC), and the U.S. Embassy's Public Affairs Section (PAS).

USAID has nine high-impact, high-visibility infrastructure programs under way, six of which began this quarter. USAID's new infrastructure programs seek to construct a Parliamentary Institute and to assist the Government of Pakistan in supplying thermal and hydropower to meet growing energy demands. The four new energy infrastructure programs were designed to rehabilitate thermal power plants in Jamshorro, Muzaffargarh, and Guddu and to rehabilitate and repair the Tarbela hydropower plant.

In addition to current programs, USAID has 13 programs planned under the infrastructure category. These programs will address water supply and sanitation, water management, irrigation systems, and energy generation. Table 3 lists USAID's current and planned programs.

**Table 3. USAID's High-Impact and High-Visibility Programs as of June 30, 2010**

<b>Implementing Partner</b>	<b>Program Description</b>	<b>Status</b>
Government of Pakistan	South Waziristan Quick Impact Program (road, water, and electricity)	Current
Government of Pakistan	Malakand Quick Impact Program (schools, health, water and sanitation, government capacity)	Current
Habib-Rafique (Pvt.) Ltd.	Construction of Parliamentary Institute	Current; signed 4/2010
Ministry of Water and Power (MWP), Power Generation Company (GENCO I)	Rehabilitation of thermal plant in Jamshorro	Current; signed 5/2010
MWP (GENCO II)	Rehabilitation of thermal plant in Muzaffargarh	Current; signed 5/2010
MWP (GENCO III)	Rehabilitation of thermal plant in Guddu	Current; signed 5/2010
Multan Electric Power Company	Irrigation Tube Well Efficiency Improvement Project	Current
Water and Power Development Authority (WAPDA)	Tarbela Hydropower Plant Rehabilitation and Repair	Current; signed 4/2010
Knowledge Platform, SMC-PVT, Limited	Development of a model and implementation plan for the transformation of the agricultural supply chain in the District of Swat.	Current; signed 4/2010
To Be Determined	Water supply and sanitation programs in Jacobabad and Peshawar	Designing
Government of Pakistan, MWP, National Electric Power Regulatory Authority, Ministry of Finance, Distribution Companies	Distribution Companies Performance Improvement Program	Under solicitation
Government of Pakistan	Wana Power Station	Designing
Government of Pakistan	Gomal Zam Dam	Designing
Government of Pakistan	Satpara Dam Skardu	Designing
Pakistani organizations	Pakistan energy contract	Designing
Government of Pakistan	High-Efficiency Irrigation Systems (HEIS)	Designing

<b>Implementing Partner</b>	<b>Program Description</b>	<b>Status</b>
WAPDA, Pakistan Agriculture Research Council, and Balochistan Provincial Government	Balochistan Surface Water Management Program (Agriculture)	Designing
Provincial Relief, Rehabilitation and Settlement Authority	Swat/Buner Agricultural Village Progress Program	Designing
WAPDA	South Punjab, DG Khan Surface Water Management (Agriculture)	Designing
WAPDA	South Waziristan, DI Khan Irrigation (Agriculture)	Designing
Government of Pakistan	Gomal Zam Irrigation (Agriculture)	Designing
Government of Pakistan	Khyber Pakhtunkhwa Water Program (Agriculture)	Designing

Source: USAID/Pakistan

In response to USAID OIG's request for information on the progress of these programs, USAID provided indicators and targets but no information on progress toward achieving targets. This information will be available when USAID begins to track actual results achieved on its performance indicators. We believe that USAID has an imperative to accumulate, analyze, and report information on the results achieved under its programs.

The following are the performance indicators and FY 2010 targets highlighted in USAID's response:

- Number of energy agencies, regulatory bodies, utilities, and civil society organizations undertaking capacity strengthening as a result of U.S. Government assistance (target: 30).
- Number of policy reforms, procedures, and regulations drafted for areas of tariff rationalization, utility cost of service, and renewable energy policy (target: 10).
- Number of energy agencies, regulatory bodies, utilities, and civil society organizations undertaking capacity assessments as a result of U.S. Government assistance (target: 25).
- Number of producer organizations, water user associations, trade and business associations, and community-based organizations receiving U.S. Government assistance (target: 7,200).
- Number of additional hectares under improved technologies or management practices as a result of U.S. Government assistance (target: 15,000).
- Number of rural households benefiting directly from U.S. Government interventions (target: 500,000).
- Number of new technologies or management practices under research as a result of U.S. Government assistance (target: 5).

USAID reports that it has signed a \$9.3 million contract with Habib Rafique Private Limited, a Pakistani construction firm, to build the Parliamentary Institute. The institute will be a professional development training and research center devoted to providing legislative support services to the national Parliament and provincial assemblies. USAID also reports progress in implementing its \$125 million signature energy infrastructure program. USAID works directly with the Government of Pakistan's Water and Power Development Authority in refurbishing 3 thermal power stations and 1 hydroelectric dam, improving at least 4 electricity distribution companies, and replacing inefficient pumps on 11,000 tube wells. Nonetheless, although progress has been made in engaging Pakistani Government partners in the implementation of the \$125 million signature energy infrastructure program, USAID reports that it has had difficulty transferring funds for these activities to the Government of Pakistan: USAID's intention had been to reimburse the Government of Pakistan after completion of the work, but the Pakistani Government lacks the resources to carry out the activities.

As reported in the first quarterly report, USDA plans to make a \$30 million Food for Progress grant to a U.S.-based nongovernmental organization (NGO) to implement a new Pakistan Agriculture and Cold Chain Development Project. The project aims to help modernize agriculture in the Balochistan Province of southwest Pakistan by linking private sector participants in the production of perishable goods with new cold-chain facilities<sup>9</sup> and enhanced production techniques. Implementing international phytosanitary and regulatory standards will also help shift horticultural and fish production toward larger, more profitable markets. By carrying out these activities, the project seeks to improve food quality and supply, support higher prices for producers, and ensure a higher-value end product to consumers. USDA is still negotiating this grant. The time-consuming negotiation and clearance process for the program will probably delay the start of implementation until the fall of 2010.

Additionally, USDA's plan for the investment of resources to support agricultural development in Pakistan has been reviewed and approved by an interagency team and the U.S. House of Representatives Committee on Appropriations. Concept notes have been shared with Pakistani and international partners, and program design will begin shortly.

The DOC supports programs in Pakistan that are focused on trade and investment promotion, commercial law development, and professional development activities and workshops. During the reporting period, DOC's program accelerated appreciably. The Department produced a terms-of-reference document, solicited expressions of interest, obligated \$100,000 for specialized market research to support investment promotion activities, and obligated \$35,000 for sector studies. Additionally, DOC worked to structure a contract to provide services in support of eight conferences and investment missions to take place over the next 17 months.

The Public Affairs Section (PAS) of the U.S. Embassy carries out the Pakistan Communications and Public Diplomacy Strategy. Two communications programs in the category of high-impact, high-visibility infrastructure programs include the reestablishment of three public diplomacy centers and approximately \$10 million toward electronic governance infrastructure. Secure, open-access public

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<sup>9</sup> Cold-chain facilities keep goods such as food at a controlled temperature at all stages of storage and distribution.



diplomacy facilities in Islamabad, Karachi, and Lahore will be reopened and used for outreach to young Pakistanis. The electronic governance infrastructure being discussed with the Ministry of Information Technology under the United States-Pakistan strategic dialogue will both provide the Government of Pakistan with needed IT infrastructure and enable electronic public services.

## Focused Humanitarian and Social Services: Immediate Postcrisis and Humanitarian Assistance

The U.S. Government channels assistance through international relief agencies and local institutions for people affected by natural disasters or ongoing military operations in Waziristan and other areas along the border with Afghanistan. In addition, the U.S. Government supports the Government of Pakistan's efforts to provide basic health, education, and other services; rehabilitate infrastructure; and create jobs. USAID manages the largest U.S. Government humanitarian assistance programs in Pakistan, while the Department of Defense manages some relatively small food and medical assistance programs.

USAID has 23 programs under way to support immediate postcrisis and humanitarian assistance. These programs include provisions for emergency food aid, primary health care in earthquake-affected areas, community rehabilitation, and cash transfers for income support as well as for housing damage in the Federally Administered Tribal Areas (FATA) and Khyber Pakhtunkhwa. USAID also has small-scale infrastructure development projects in FATA and Khyber Pakhtunkhwa.

Along with current programs, USAID is planning three additional programs for FY 2010. These include the establishment of a multidonor trust fund to finance infrastructure and livelihood development in FATA, Khyber Pakhtunkhwa, and Balochistan; cash transfers to IDPs for housing damage; and a conflict assistance program to be carried out by local and international organizations. Table 4 lists USAID's current and planned programs for postcrisis and humanitarian assistance.

**Table 4. USAID's Postcrisis and Humanitarian Assistance Programs as of June 30, 2010**

Implementing Partner	Program Description	Status
World Food Programme	Emergency operation in Pakistan	Current
Khushhali Bank Limited	Bolton Market Business Revitalization Program	Current
World Food Programme	Food Security Relief Program in Pakistan	Current
Higher Education Commission	Cash transfer to support vocational education, scholarships, and infrastructure improvements at selected universities	Current; disbursed 4/2010
Associates in Development	South Waziristan Agency Monitoring and Evaluation Contract	Current
CHF International, Inc.	Livelihood Development Program in lower FATA	Current
Development Alternatives, Inc.	Capacity building in FATA	Current
Government of Pakistan	Cash transfer to assist IDPs in Khyber Pakhtunkhwa—disbursed 11/2009	Current



<b>Implementing Partner</b>	<b>Program Description</b>	<b>Status</b>
FATA Secretariat	Road and electricity infrastructure in South Waziristan	Current
Government of Pakistan	Budget support to Benazir Income Support Program—cash transfer disbursed 2/2010	Current
Khyber Pakhtunkhwa Provincial Government	Postconflict reconstruction of Malakand (water, education, health, government capacity)—project implementation letter signed 12/2009	Current
Provincial Reconstruction, Rehabilitation and Settlement Authority	Cash transfer for housing damage assistance for Khyber Pakhtunkhwa and FATA	Current
Pakistan Broadcasting Corporation	Radio transmission support to FATA	Current
InterNews (Office of Transition Initiatives)	Pakistan Transition Initiative—media	Current
Creative Associates	Pakistan Transition Initiative—small-scale infrastructure in northern FATA and Khyber Pakhtunkhwa	Current
International Organization for Migration	Pakistan Transition Initiative—small-scale infrastructure in southern FATA	Current
International Rescue Committee	Primary Healthcare Revitalization, Integration and Decentralization in Earthquake-Affected Areas Program	Current
CDM Constructors, Inc.	Pakistan Reconstruction Project	Current
American Institutes for Research	Revitalizing, Innovating, Strengthening Education Program	Current
Khushhali Bank Limited	Bolton Market Business Revitalization Program	Current
CNFA, Inc.	Improving Livelihoods and Economic Development Program	Current
Winrock International	CRISP: Community Rehabilitation Infrastructure Support Program	Current
KPMG Taseer Hadi	Accelerated capacity building of Provincial Relief, Rehabilitation and Settlement Authority	Current
World Bank	Multidonor Trust Fund: financing Government of Pakistan priorities in infrastructure and livelihood development in Khyber Pakhtunkhwa, FATA, and Balochistan	Negotiating
International and local organizations	Pakistan Conflict Assistance Program	Negotiating
Government of Pakistan	Malakand Housing for IDPs—cash transfer for housing damage assistance	Negotiating

Source: USAID/Pakistan

In response to our request for information on program progress, USAID gave examples of indicators that will be used to measure the progress of its postcrisis and humanitarian programs. Information on

progress will be available when targets are set and progress is tracked. USAID provided the following illustrative indicators for this area of assistance:

- Number of beneficiaries assisted by U.S. Government-supported protection and solutions activities (target: no data).
- Percentage of disaster-affected households provided with basic inputs for survival, recovery, or restoration of productive capacity (target: no data).
- Percentage of U.S. Government-assisted communities that have constructed or developed physical infrastructure to mitigate the effects of shocks (target: no data).
- Reconstruction of educational and health facilities (start of new construction) (target: 23).
- Percentage change in rural income of targeted population with U.S. assistance (target: no data).
- Number of buildings completed (target: 42).

According to USAID, delays on the part of the Pakistani Government prevented timely transfer of \$174 million in direct budget support to the Government of Pakistan from 2009 emergency supplemental funding. These delays reduce the effectiveness of emergency budget support and jeopardize subsequent budget support payments.

### *Oversight Results*

During the period covered by this report, USAID OIG completed one performance review of postconflict, humanitarian assistance activities. The review sought to determine the status of USAID's activities for IDPs in Pakistan. USAID OIG conducted this review concurrently with the DOS OIG's review of the DOS program for IDPs implemented by the Office of the United Nations High Commissioner for Refugees (which is still in process). In conducting the review, USAID OIG found that although USAID has carried out numerous programs for IDPs in Pakistan, monitoring and evaluation methods need improvement. Specifically, USAID's "alternative monitoring" methods—such as third-party monitoring—were underutilized in dangerous areas such as Khyber Pakhtunkhwa and FATA. In addition, USAID had not implemented monitoring controls that were meant to provide reasonable assurance that \$44 million in cash transfer funds had actually reached 140,000 displaced families. USAID OIG made four recommendations to address these issues and to rectify monitoring and evaluation weaknesses. USAID OIG recommends that USAID/Pakistan (1) develop and award a contract for the monitoring and evaluation of the program for IDPs and other programs, (2) require the Government of Pakistan to provide documentation of cash transfers to IDPs, (3) verify the cash transfers, and (4) conduct spot checks to evaluate the effectiveness of the cash transfer program.

## Focused Humanitarian and Social Services: Increased Access to and Quality of Education and Health Services

This category of assistance aims to provide quality education and health services to underserved populations, particularly those living in areas likely to come under the sway of extremist groups. In education, programs intend to bring more girls into the classroom, increase the use of new educational technologies, and improve teachers' skills. In health care, the goals are to improve maternal and child care, provide family planning services, and prevent and treat diseases such as hepatitis, polio, and tuberculosis. USAID is the primary U.S. Government agency contributing to this area of assistance.

USAID, USDA, and the U.S. Embassy's PAS manage education and health assistance programs. USAID's current and planned programs aim to increase access to and quality of education and health services, USDA is planning two grants for food programs for schoolchildren, and the U.S. Embassy PAS manages education exchange programs.

USAID has 24 programs under way to support increased access to and quality of education and health services. These programs focus on educational improvement in the provinces of Balochistan and Punjab and the provision of Fulbright scholarships through DOS. USAID also supports health programs to improve children's health in FATA, improve maternal health, and aid in polio eradication.

In addition to its current programs, USAID is planning 18 new programs for education and health assistance. Of these, one award is under solicitation for a Pakistani organization to carry out health monitoring; 11 programs are in the design phase; and the remaining 6 programs planned for FY 2010 are being negotiated. Table 5 lists USAID's current and planned programs for health and education.

**Table 5. USAID's Programs for Education and Health Services as of June 30, 2010**

Implementing Partner	Program Description	Status
ABT Associates	Pakistan Safe Drinking Water and Hygiene Project	Current
JSI Research and Training Institute	Pakistan Initiative for Mothers and Newborns	Current
Population Council	Diversification of family planning activities	Current
Contraceptive Commodities Procurement	Procurement of pharmaceuticals and commodities	Current
UNICEF	Social mobilization and communication for polio eradication project in FATA	Current
UNICEF	Polio eradication initiative through UNICEF public international organization grants	Current
World Health Organization	Polio eradication initiative through WHO public international organization grants	Current
KNCV Tuberculosis Foundation	Tuberculosis Control Assistance Program	Current

<b>Implementing Partner</b>	<b>Program Description</b>	<b>Status</b>
John Snow, Inc.	DELIVER Project	Current
Pathfinder International	Involvement of religious leaders in health and development, extending service delivery	Current
Centers for Disease Control and Prevention	Pakistan Field Epidemiology and Laboratory Training Program	Current
Health Services Academy	Developing and strengthening institutional capacity in Public Health Training and Research Project	Current
Save the Children	Improve children's health in FATA	Current
Academy for Educational Development	Higher Education Commission—Financial Aid Development Program	Current
Academy for Educational Development	Pre-Service Teacher Education Program	Current
American Institutes for Research	Links to Learning—Education Support to Pakistan	Current
American University Washington College of Law	Collaborative capacity building for human rights and gender	Current
Rafi Peer Theatre Workshop	Children's Global Network—interactive teaching and learning television program	Current; signed 5/2010
Government of Pakistan	Budget support to Higher Education Commission	Current
Government of Pakistan	Fulbright scholarships (through DOS)	Current
UNESCO	Strengthening Teacher Education Program	Current
Higher Education Commission	Merit and Needs-Based Scholarships Program	Current
Government of Pakistan	Balochistan middle schools (budget offset)	Current
Government of Pakistan	Punjab education sector grant	Current
National Institute of Population Studies	Demographic and Health Survey	Negotiating
Government of Pakistan Ministries, local organizations	Universities and teaching hospitals	Designing
Government of Pakistan	Two water and sanitation activities	Designing
Government of Pakistan	Maternal and child health, family planning, and immunizations	Designing
Government of Pakistan	Hospitals and laboratories	Designing
Government of Pakistan	Disease surveillance	Designing

<b>Implementing Partner</b>	<b>Program Description</b>	<b>Status</b>
Pakistani organization	Health Monitoring Implementation Program	Under solicitation
Government of Balochistan	Provincial Government Education Program	Designing
Government of Pakistan	Balochistan education sector—upgrading primary to middle schools	Negotiating
Government of Sindh	Provincial Government Education Program: Sindh	Designing
Government of Punjab	Provincial Government Education Program: Punjab	Negotiating
Government of Pakistan	Fulbright scholarships (extension)	Designing
FATA Secretariat	FATA education	Designing
Higher Education Commission	Strengthening higher education (budget support)	Designing
Government of Pakistan	Khyber Pakhtunkhwa education sector	Designing
Government of Pakistan	University Centers of Excellence (partial)	Negotiating
Forman Christian College	Forman Christian College	Negotiating
Lahore University	Lahore University of Management Sciences Educational Outreach Program for Youth	Negotiating

Source: USAID/Pakistan

USAID identified the following indicators (with FY 2010 targets) to be used in monitoring and evaluating its education programs:

- Number of administrators and officials trained (target: 2,500).
- Number of teachers/educators trained with U.S. Government support (target: 15,000).
- Number of textbooks and other teaching and learning materials provided with U.S. Government assistance (target: 1 million).
- Number of laws, policies, regulations, or guidelines developed or modified to improve equitable access to or the quality of education services (target: 2).
- Number of host-country individuals receiving U.S. Government-funded scholarships to attend higher education institutions (target: 850).
- Number of host-country individuals completing U.S. Government-funded exchange programs conducted through higher education institutions (target: 50).

Health-related indicators to be tracked, shown with annual targets, include:

- Number of people trained in maternal or newborn health and nutrition through U.S. Government-supported health area programs (target: 2,500).

- Number of children reached by U.S. Government-supported nutrition programs (target: 60,000).
- Number of people trained in family planning and reproductive health with U.S. Government funds (target: 3,470).
- Number of U.S. Government-assisted service delivery points experiencing stockouts at any time during the reporting period of contraceptives offered by the delivery point (target: 50 percent).
- Number of people in target areas with access to improved drinking water supply as a result of U.S. Government assistance (target: 1.1 million).
- Number of households demonstrating improved hand-washing practices with U.S. Government assistance (target: 3,470).

USAID provided the following examples of success in its programs for basic education, vocational training, and higher education—all of which support increased access to and quality of education services:

- The USAID Ed-Links Program, a basic education program, supplied learning materials to 60,000 students and teaching materials to 150 schools in Malakand.
- Through the TRADE Project, USAID trained 100 female entrepreneurs in Lahore, Karachi, and Peshawar. Sixty women from the University of Peshawar and the University of Arid Agriculture in Rawalpindi graduated from an employment-skills training course through the USAID JOBS Project. Also under the JOBS Project, 80 young Pakistanis completed the Vital Job Skills and Placement Program, which focused on the pharmaceutical and call-center industries. Moreover, the private sector has committed to creating 450 positions under the Vital Job Skills and Placement Program; approximately 50 percent of graduates have been placed in these positions. This vocational education program is being expanded in Peshawar, Karachi, and Lahore.
- USAID provided a \$45 million donation to the Higher Education Commission to support 28 partner universities primarily in conflict-affected areas of Khyber Pakhtunkhwa. The donation also provides a year's tuition for 7,000 university students from these areas.
- Eighty-four scholarships to three partner universities were awarded under the Merit and Needs-Based Scholarship Program. The activity provided 1,407 scholarships in business and agriculture to poor and needy students to study at 11 partner universities.

In addition, USAID provided the following examples of success in its programs supporting increased access to and quality of health services:

- The USAID Family Advancement for Life and Health Project conducted 12 mobile health clinics in three districts in collaboration with the Pakistan Works Department. The clinics treated 867 women and children including 82 family planning clients.

- Through the PAIMAN Project, USAID provided medical equipment worth \$50,000 to 47 newly graduated community midwives in D.G. Khan District.
- USAID sent more than 42,000 antipolio teams to 52 districts, where they vaccinated 16 million children. Despite the several National Immunization Days that USAID supports each year, Pakistan remains one of four countries in the world where polio is still endemic.
- The first shipment of 3.2 million condoms for the National AIDS Control Program and the Lady Health Workers Program of the Ministry of Health arrived in May 2010. This marks the first time USAID has provided the Government of Pakistan with condoms for contraception and the prevention of HIV and sexually transmitted infections. USAID's support of \$10 million in commodities will fill 50 percent of the Government of Pakistan's shortage.

Still, USAID faces challenges in this assistance category. USAID identified two recent actions by the Government of Pakistan that may directly affect its health and education programs—a budget reduction for Pakistan's Ministry of Health and the passage of a constitutional amendment that leaves the future role of the Ministry of Education unclear.

- In June 2010, the Pakistan Finance Ministry announced a possible 24-percent reduction in the FY 2010–11 Ministry of Health budget. Pakistan's expenditure for health is 0.5 percent of gross domestic product—one of the lowest in the world. The allocations for health are insufficient, particularly given the current inflation rate of 38 percent. A reduction in the budget could weaken USAID's Lady Health Workers Program, as well as programs promoting maternal and child health and expanded immunizations.
- The passage of the 18th Amendment to Pakistan's Constitution has created an unclear role for the Ministry of Education, as more decision-making authority has been devolved to the provinces. Prior to the amendment, USAID/Pakistan worked independently with provinces and the Ministry of Education. The new amendment poses challenges to USAID in coordinating programming between provinces and the Ministry of Education.

As stated in our first quarterly report, USDA has one program—the USDA Food for Education Program—that supports increased access to and quality of education and health services. Under the program, USDA awarded Land O'Lakes and the World Food Programme grants totaling an estimated \$15.8 million. Under these two grants, USDA will supply an estimated 6,540 metric tons of commodities to feed schoolchildren and an estimated \$5.9 million to implement rehabilitation projects and capacity-building measures for schools. During the reporting period, USDA was negotiating these grants and now seeks to conclude negotiations in the coming months. USDA expects to begin program implementation in fall 2010.

The U.S. Embassy's PAS has two programs that contribute to increased access to and quality of education services. PAS has a \$30 million slate of academic and professional exchange programs designed to provide enhanced educational and professional skills, leadership training, and connections with the United States for up to 2,000 Pakistanis over the next year and a half. Programs range from

short-term (3-week) International Visitor Leadership Program exchanges to full academic degree programs. Additionally, PAS supports a \$19.5 million program of Fulbright exchanges designed to substantially increase the number of faculty with master's degrees and doctorates at Pakistani colleges and universities.

## *Oversight Results*

During the reporting period, USAID OIG completed one performance audit in this assistance category. The audit of USAID/Pakistan's Primary Healthcare Revitalization, Integration and Decentralization in Earthquake-Affected Areas Project sought to determine whether the project had improved access to and the quality of primary health care services in the earthquake-affected areas. The audit found that the project had contributed to higher-quality health care by implementing a standards-based management approach, developing guidelines for performance improvement, supporting community participation in health care governance, renovating drug storage facilities, and providing training and mentoring.

Nonetheless, a great deal of work remains to be done to improve access to health care services—particularly to higher-level care facilities for patients with conditions that cannot be treated at primary health care facilities. Preliminary planning for improving the referral system was completed a year later than anticipated, and implementation of an improved referral system was not expected until June 2010. Implementation was delayed because Pakistani Government staff scheduled to work with the project implementer were not available when needed. Also, other project activities took precedence over revamping the patient referral system.

The report recommends that USAID/Pakistan develop and begin to implement an action plan to improve the patient referral system in both project districts. The plan should include provisions to (1) establish proper communication procedures between primary health care centers and higher level facilities, (2) disseminate improved procedures to participating facilities and provide training as necessary, and (3) establish effective supervisory review of referral cases. USAID/Pakistan concurred with this recommendation.

## **Government Capacity Development: Improved National and Local Governance**

Programs in this category are intended to build capacity at the national, provincial, and local levels—particularly in vulnerable districts—in budgeting and program management, revenue collection, the organization of civil society groups and political parties, parliamentary oversight of the executive branch, and the conduct of elections.

USAID, USDA, and the U.S. Embassy's PAS have current and planned programs to strengthen government capacity and improve governance.

USAID has nine programs under way to improve government capacity at the national and local levels.



USAID's programs support improvements in governance through legislative strengthening and election support. At the provincial and local levels, USAID programs also seek to build capacity in institutions such as the FATA Secretariat and in local civil society organizations.

USAID is planning an additional 13 programs to improve national and local governance. These programs will provide election support, civil society support, and small grants to Pakistani organizations; parliamentary and judicial strengthening programs to the Pakistani Government; and assistance to provincial governments to improve municipal services. Additionally, USAID is negotiating an antifraud hotline and fraud awareness program with Transparency International/Pakistan. Table 6 shows the status of programs under way or planned.

**Table 6. USAID's Programs to Improve National and Local Governance as of June 30, 2010**

<b>Implementing Partner</b>	<b>Program Description</b>	<b>Status</b>
Ernst and Young/Pakistan	Strengthen capacity of the FATA Secretariat	Current; signed 4/2010
Provincial Relief, Rehabilitation and Settlement Authority	Accelerated capacity building	Current
Development Alternatives, Inc.	Legislative Strengthening Program (Phase II)	Current
International Foundation for Electoral Systems	Pakistan Election Support Program II	Current
The Urban Institute	Districts That Work Program	Current
Government of Pakistan	Local democratic governance municipal services	Current
Transparency International-Pakistan	Anticorruption program	Current
Deloitte Consulting, LLC	USAID Pakistan Trade	Current
U.S. Department of State (DOS)	Media and strategic communications	Current
Pakistan Election Commission	Election Support Program	Designing
U.S. organization	Election monitoring support	Designing
Pakistani organizations	Gender equity grants	Negotiating
Pakistani organizations	Small Grants Program for Unsolicited Proposals	Negotiating
Pakistani organization	Chief of Mission Fund	Negotiating
Pakistani NGOs	Civil Society Support Program	Pre-solicitation stage
Pakistani Provincial Courts	Court efficiency	Designing

<b>Implementing Partner</b>	<b>Program Description</b>	<b>Status</b>
Pakistani National and Provincial Parliaments	Parliamentary strengthening	Designing
Pakistan Judiciary	Judicial peer-to-peer exchange (participant training)	Designing
Government of Khyber Pakhtunkhwa	Enhancing Malakand government capacity	Designing
Transparency International/Pakistan	Antifraud hotline	Negotiating
Provincial Governments	Local democratic governance municipal services	Negotiating
U.S. organization	Political parties strengthening	Designing

Source: USAID/Pakistan

Although USAID has identified performance indicators and FY 2010 targets to measure the progress of its capacity development programs for improved national and local governance, no results were provided.

The following are the indicators and annual targets:

- Number of national legislators and national legislative staff attending U.S. Government-sponsored training or educational events (target: 400).
- Number of individuals who received U.S. Government-assisted training, including management skills and fiscal management, to strengthen local government or decentralization (target: 1,500).
- Number of U.S. Government-assisted civil society organizations that participate in legislative proceedings or engage in advocacy with the national legislature and its committees (target: 2).
- Number of elections officials trained with U.S. Government assistance (target: 700).
- Number of laws or amendments to ensure credible elections drafted with U.S. Government technical assistance (target: 65).
- Number of local civil society organizations strengthened that promote electoral reform or improvements in the electoral system (target: 29).
- Number of electoral administration procedures and systems strengthened with U.S. Government assistance (target: 6).

According to USAID, the following examples illustrate some successes of its government capacity development programs:

- USAID supports activities to strengthen the capacity of the FATA Secretariat and the Provincial Relief, Rehabilitation and Settlement Authority (PaRRSA). During the reporting period, the USAID agriculture team signed a memorandum of understanding to provide rapid job creation, skills training, and government capacity building in Malakand District to rehabilitate and revive micro and small enterprises in construction, fisheries, tourism, livestock, and horticulture. In May 2010, PaRRSA approved a list of medical equipment worth \$440,000 for 17 basic health units in the Swat, Buner, and Lower Dir Districts of the Malakand Division from the USAID DELIVER Project.
- Since the beginning of FY 2010, USAID/Pakistan has completed four cash transfers totaling \$239 million to the Government of Pakistan. These cash transfers were provided to the Benazir Income Support Program to benefit lower-income families and to the Pakistan Higher Education Commission for vocational education, scholarships, and infrastructure improvements at selected universities. The transfers also support housing in Malakand Division and FATA.

USAID reported a potential problem with implementing activities for improved governance. For new implementing partners, including Pakistani Government institutions and civil society (NGOs), and private sector entities with which the mission engages, preaward surveys are required to verify that a prospective partner can be entrusted with managing and accounting for U.S. Government funds. During the next 6 to 18 months, the mission may be required to conduct as many as 100 preaward surveys and postaward financial reviews of Pakistani institutions. According to the mission, the requirement to conduct preaward and postaward reviews is causing delays in implementing activities.

As reported last quarter, USDA manages three types of programs to build Pakistani institutional capacity in the agricultural sector:

- Endowments are used to support agricultural research and development activities in accordance with Pakistan's long-term development goals and to promote scientific cooperation between Pakistani and U.S. agricultural scientists. Since 2001, USDA has established six endowments totaling \$55 million.
- Technical assistance exchange programs are used to develop linkages between Pakistani scientists and their counterparts in the United States. USDA plans to expand the number and quality of exchanges between Pakistani and U.S. scientists to improve the capacity of Pakistan's agricultural research system.
- The Trilateral (Afghanistan-Pakistan-United States) Secretariat on Agriculture established three working groups: Food Security and Applied Research, Water Management, and Trade Corridors. According to USDA, the Secretariat has met and is finalizing budgets and detailed action plans for the first phase of project implementation.

The U.S. Embassy's PAS supports government capacity development and improved local and national governance through its communications programs. The PAS reported on two programs in this area of assistance:

- Radio transmitter towers have been approved for implementation by Pakistan Broadcasting and the Ministry of Information. The towers will enhance the Pakistani Government's ability to be heard throughout the Khyber Pakhtunkhwa and FATA and will cost approximately \$7 million in total. The signing ceremony took place during the reporting period, and the equipment has been ordered for installation.
- National and local elected officials and government employees will be invited to the United States for short-term visits or internships to meet with counterparts as part of an exchange program that strengthens partnerships and provides ideas for Pakistan based on American experiences.

## **Government Capacity Development: Improved Security and Legal Institutions**

Like capacity development in national and local governance, this category targets areas prone to conflict and those with a weak government presence. Assistance focuses on improving policing and expediting the disposal of legal cases through the court system.

The U.S. Embassy's Narcotics Affairs Section (NAS), Regional Security Office (RSO), and Public Affairs Section (PAS) support assistance programs to improve security and legal institutions in Pakistan.

As previously reported, NAS, in coordination with other U.S. law enforcement agencies in Pakistan, manages five programs that support improved security and legal institutions. These programs address counternarcotics and crop control, border security, roads and bridges in FATA and Khyber Pakhtunkhwa, police and prosecutor training, and support for the Ministry of Interior's Air Wing. According to NAS, all of its projects are implemented in partnership with the Government of Pakistan, and infrastructure projects use Pakistani contracting mechanisms.

In April 2010, NAS and the Government of Pakistan signed a letter of agreement authorizing expenditure of \$40 million in U.S. Government assistance funds for key infrastructure projects in Khyber Pakhtunkhwa. Another letter that will allow NAS to spend \$125.6 million in FY 2010 funding was drafted and is pending clearance from the Pakistani Government.

To measure the progress of its programs, NAS identified lower-level performance indicators (input and output indicators) and higher-level performance indicators (outcome indicators) that will be used:

- Number of hours flown by the Air Wing under the aviation program.
- Number of kilometers of road constructed and percentage of other infrastructure projects completed under the infrastructure program.
- Number of law enforcement officials trained, number of police facilities reconstructed or rehabilitated, and amount of equipment delivered under the civilian law enforcement reform program.

- Number of prosecutors trained under the rule of law program.
- Reduction in the number of hectares of poppy grown as a result of the counternarcotics program.

To date, NAS reports the following examples of progress:

- \$3.86 million of commodities (surveillance and communication equipment, bulletproof vests, armored personnel carriers) were delivered to the Khyber Pakhtunkhwa Elite Force.
- 12 kilometers of roads were constructed in or near the poppy-growing areas of Mohmand, Bajaur, Khyber, and Kala Dhaka.
- 130 Khyber Pakhtunkhwa Elite Force commanders completed training sponsored by DOS International Narcotics and Law Enforcement (INL) in human rights and the use of force and in civilian police leadership.
- \$ 218,000 was released to an NGO dedicated to reducing demand for drugs to conduct faith-based drug intervention programs in FATA and Khyber Pakhtunkhwa.

NAS reported that although the program had achieved some successes, bureaucratic delays have slowed program implementation. Also, security problems continue, including the targeting of police facilities. During the quarter, the names and vehicle license plate numbers of police trainers were published in the media, and instructors were evacuated from their housing because of credible reports of surveillance. Additionally, obtaining visas for police trainers and Air Wing personnel remains a challenge. According to NAS and INL, the shortage of required personnel has resulted in the cancellation of eight training courses and storage of three C-208 aircraft.

The RSO at the U.S. Embassy in Islamabad reported on antiterrorism assistance funded by the Nonproliferation, Antiterrorism, Demining, and Related account. The Office of Antiterrorism Assistance has provided antiterrorism assistance to the Government of Pakistan since 1983.

Antiterrorism assistance covers the full range of tactical and investigative courses and support to Pakistani federal and provincial law enforcement agencies, especially those operating in Khyber Pakhtunkhwa and Balochistan. According to the RSO, the goal is to assist Pakistani law enforcement agencies at the federal and provincial levels in developing the institutional capacity to prevent, interdict, and investigate terrorist activities. Program objectives for FY 2010, as identified by the RSO, are to:

- Provide tactical training to law enforcement agencies operating in Khyber Pakhtunkhwa, Balochistan, and other provinces that will allow them to counter terrorist attacks.
- Provide advanced tactical training to augment and enhance the abilities of tactical units operating in conflict zones throughout Pakistan, with emphasis on Khyber Pakhtunkhwa.

- Provide investigative and case management training to provincial and federal law enforcement agencies to increase their ability to conduct both proactive and after-the-fact investigations leading to the arrest, prosecution, and successful conviction of terrorist organizations operating in Pakistan.

The RSO reported that antiterrorism assistance training was postponed for 6 months because of unspecified terrorist threats against its training academy and because the Government of Pakistan closed an interim training site. Training for the Pakistani police resumed in June 2010. The antiterrorism assistance program in Pakistan is proceeding with a plan to provide focused tactical, technical, and investigative training to Pakistani Government law enforcement agencies at the provincial and federal levels.

In addition to the programs sponsored by NAS, the U.S. Embassy PAS manages exchange programs that include opportunities for Pakistani police, prosecutors, and lawyers to meet and work with their counterparts in the United States, strengthening partnerships and exchanging ideas.

## Assistance to Pakistani Institutions

The Enhanced Partnership with Pakistan Act of 2009 encourages the use of Pakistani firms and NGOs, as appropriate, to implement the assistance programs authorized under Title I of the act (Section 101(c)(3)). As noted in last quarter's report, the purpose of this shift is to:

- Align programs with locally identified priorities.
- Build Pakistanis' sense of ownership of programs.
- Build Pakistani institutional and leadership capacity for better fiscal management.
- Promote decentralization to more actively engage provincial and local partners and beneficiaries.
- Deliver assistance on-budget<sup>10</sup> to promote transparency, harmonization, and better budget planning by the Government of Pakistan.
- Reduce costs.

USAID's Office of Financial Management performs preaward assessments of all prospective partner organizations. The assessments examine organizational and management structure, accounting, financial management systems, internal controls, technical capabilities, and quality assurance capabilities, as well as

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<sup>10</sup> Delivering U.S. assistance through Pakistan's own budgetary, spending, and accounting systems as much as possible will help the Government of Pakistan meet the fiscal targets required by the International Monetary Fund and raise Pakistanis' awareness of where U.S. funds are going and how they harmonize with resources from the Government of Pakistan and other donors. On-budget assistance should also help to reduce disruptions in implementation by enabling federal and provincial governments to improve budget planning and cash-flow management.

the organizations' policies, procedures, and practices for effective and efficient management of USAID/Pakistan resources.

USAID/Pakistan completed 12 preaward assessments during this quarter:

1. FATA Development Authority
2. National Rural Support Program
3. Balochistan Rural Support Program
4. Jamshorro Power Company Limited
5. Central Power Generation Company
6. Northern Power Generation Company
7. Rafi Peer Theatre Workshop
8. Basic Education for Awareness Reforms and Empowerment and Basic Education for Afghan Refugees
9. Competitiveness Support Fund
10. National Institute of Population
11. Pakistan Agricultural Research Council
12. State Bank of Pakistan

In addition to performing the assessments, the Office of Financial Management provides capacity building for new partners, prepayment review and validation of payments, and financial audit services.

USAID/Pakistan believes that the strategic shift toward more partnerships with the Government of Pakistan and Pakistani institutions has produced closer consultation to plan the direction of activities, the type of activities to be funded, and transparency initiatives. USAID reports that it has made 33 awards totaling \$875.5 million to Pakistani institutions (Table 7), more than four times the number of awards reported last quarter.

**Table 7. Assistance to Pakistani Institutions as of June 30, 2010 (Unaudited)**

Type	Number of Awards	Value (\$)
<b>Budget Support* (Cash Transfers)</b>	<b>4</b>	<b>239,000,000</b>
Higher Education Commission (April 2010)	1	45,000,000
Housing Damage Assistance for Khyber Pakhtunkhwa and FATA	1	65,000,000
Internally Displaced Persons in Khyber Pakhtunkhwa	1	44,000,000
Benazir Income Support Program	1	85,000,000
<b>Direct Funding for Federal Government Projects</b>	<b>11</b>	<b>489,621,000</b>
High-Efficiency Irrigation Systems	1	50,000,000
South Waziristan Quick Impact Program (road, water, and electricity)	1	55,000,000
Malakand Quick Impact Program (schools, health, water and sanitation, government capacity)	1	36,000,000
Rehabilitation of Thermal Plant in Jamshorro	1	18,360,000
Rehabilitation of Thermal Plant in Guddu	1	18,068,000
Rehabilitation of Thermal Plant in Muzaffargarh	1	15,193,000
Tarbela Hydropower Plant Rehabilitation and Repair	1	16,500,000
Irrigation Tube Well Efficiency Improvement Project	1	18,500,000
Local Democratic Governance Municipal Services	1	200,000,000
Distribution Companies Performance Improvement Program	1	60,000,000
Health Services Academy (Ministry of Health)	1	2,000,000
<b>Direct Funding for Provincial Government Programs</b>	<b>2</b>	<b>88,000,000</b>
Punjab Education Sector Grant	1	48,000,000
Balochistan Middle Schools (budget offset)	1	40,000,000
<b>Awards to Pakistani NGOs</b>	<b>16</b>	<b>58,834,247</b>
Children's Television	1	20,000,000
Parliamentary Institute Building	1	9,300,000
Bolton Market Business Revitalization Program	1	13,000,000
Pakistan Anticorruption Program	1	400,000
Audit, Financial Review, and Related Financial Management Services (basic ordering agreement)	5	2,500,000



<b>Type</b>	<b>Number of Awards</b>	<b>Value (\$)</b>
Audit and Financial Management Services (blanket purchase agreement)	4	4,000,000
Strengthen Capacity of the FATA Secretariat	1	817,260
Accelerated Capacity Building of Provincial Relief, Rehabilitation and Settlement Authority (PaRRSA)	1	816,987
Pakistan Broadcasting Corporation	1	8,000,000
<b>Total</b>	<b>33</b>	<b>875,455,247</b>

\* For budget support, U.S. assistance funds are comingled with other budgetary resources available to the Pakistani Government, and accounting for how the U.S. funds have been used is not possible. For project assistance, U.S. funds are normally segregated in separate bank accounts, and the Pakistani Government is required to keep books and records that show how assistance funds are spent.

Source: USAID/Pakistan

# Risks and Mitigation Strategies

Several risks that could jeopardize the U.S. Government's assistance program in Pakistan were identified by relevant U.S. Government agencies and oversight entities in the first quarterly report on the civilian assistance program in Pakistan.

These risks are summarized below:

- *Political risks.* Any softening of support for civilian rule and unambiguous opposition to all terrorist groups operating in Pakistan could endanger the assistance program and the relationship between the United States and Pakistan.
- *Resistance to change.* Entrenched interests may resist policy reforms needed to transform the economy. According to USAID, if fundamental reforms are not implemented, assistance from the United States and other donors will have stabilized the economy only temporarily.
- *Security risks.* Security concerns continue to reduce the ability of U.S. Government personnel to conduct direct monitoring and evaluation in conflict-affected areas, particularly Peshawar, FATA, and Khyber Pakhtunkhwa.
- *Direct budget support.* U.S. assistance funds to the Government of Pakistan, in the form of budget support, are comingled with other resources available to Pakistan. Therefore, financial management and reporting challenges continue.
- *Limited institutional capacity.* As Pakistan's local government authorities and indigenous civil society organizations continue down a path of reform, especially in the FATA, Khyber Pakhtunkhwa, and Balochistan, their absorptive capacity is expected to be restricted at first but to grow over the course of the assistance strategy. Limited institutional capacity creates a risk that resources might be lost through inefficiency, theft, or general lack of capacity to handle large amounts of funding.

In addition to the risks listed above is the threat of terrorist attacks originating in Pakistan but carried out on U.S. soil. An example was the car bomb found on May 1 in Times Square, for which a Pakistani-born American citizen claimed responsibility.<sup>11</sup> Secretary of State Clinton, in a subsequent interview, emphasized the importance of the Government of Pakistan's cooperation in going after those who may have encouraged, directed, trained, and sent the man who claimed responsibility for carrying out the attempted bombing. Secretary Clinton stated that, if an attack like the Times Square bombing were successful, Pakistan would face "very severe consequences."<sup>12</sup>

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<sup>11</sup> A Pakistani-born American citizen, Faisal Shahzad, pleaded guilty on June 21, 2010, to the attempted Times Square bombing. Shahzad reportedly had received training from a Pakistani-based extremist organization, Tehrik-e-Taliban Pakistan. (*New York Times, Reuters.*)

<sup>12</sup> Secretary of State Hillary Rodham Clinton, interviewed by Scott Pelley, *60 Minutes*, CBS, May 9, 2010.

To prevent the loss of funds through inefficiency, theft, or general lack of capacity of Pakistan's local governments and civil society to handle large amounts of funding, the mission works directly with Pakistani public and private partners to enhance activity management, oversight, and evaluation. For example, USAID's Office of Financial Management manages contracts to strengthen the Auditor General of Pakistan (the Government of Pakistan's Supreme Audit Institution) and build the audit and financial accounting capacity of local civil society organizations and private sector firms.

Furthermore, as USAID's technical offices identify and select more local partners, institutional capacity-building assistance will increase for new partners whose systems may not meet USAID's standards. Such assistance will provide the tools needed to strengthen new partners' administrative and financial management capabilities. Also, local auditing of U.S. assistance funds will help develop the capacity of the Auditor General of Pakistan to conduct performance audits. The strategy will also develop the capacity of Pakistani certified public accountant and certified management accountant firms through training and collaboration with firms in the United States and linkage of the two types of firms locally.

USAID has its own regulations and procedures to protect taxpayer funds. Examples include monitoring contractor performance by contracting officer's technical representatives, reviewing vouchers, conducting site visits, and producing risk assessments. In addition, before USAID/Pakistan can receive base-year funds, USAID guidance requires the mission to conduct a review of all activities to assess the risk of inadvertently providing financing to terrorist organizations, their members, or their supporters. These terrorism financing risk assessments, performed in conjunction with the RSO and USAID's Office of Security, are a critical component in safeguarding taxpayer dollars.

USAID/Pakistan is designing a missionwide monitoring and evaluation contract and expects to award it in December 2010. The contract will help USAID's technical teams monitor ongoing projects and conduct impact evaluations. Mission employees face difficulties in conducting these activities because they have only limited access to USAID projects in insecure areas.

In addition to the aforementioned USAID strategies, USAID OIG has taken steps to ensure that U.S. Government funds are protected against waste and theft:

- *Establishing field offices in Pakistan for the USAID and DOS OIGs.* As of June 30, 2010, USAID OIG has nine permanent staff in Islamabad (seven U.S. direct hires and two Foreign Service National employees), supplemented by staff on temporary duty.
- *Expanding the use of independent Pakistani public accounting firms to conduct financial audits of funds provided to Pakistani NGOs.* As of June 30, 2010, USAID OIG has 22 eligible audit firms in Pakistan. From the passage of the Enhanced Partnership with Pakistan Act on October 15, 2009, until June 30, 2010, USAID OIG added 10 audit firms to its list of eligible audit firms in Pakistan.
- *Providing training to Pakistani public accounting firms and to the Office of the Auditor General.* The training will cover standards and requirements applicable to financial audits of U.S. Government funds. In April 2010, USAID OIG provided training to 21 auditors from the Office of the Auditor General. USAID OIG plans to provide training for public accounting firms and Pakistani NGOs in September 2010.

- *Helping the Office of the Auditor General conduct financial audits.* OIG will help the office conduct financial audits of funds provided to Pakistani Government entities.
- *Working with Pakistan’s National Accountability Bureau (NAB).*<sup>13</sup> USAID OIG established a working relationship with NAB in early 2010. Since February, USAID OIG’s Office of Investigations has referred three investigations to NAB—two cases in Khyber Pakhtunkhwa and one case in Islamabad. OIG/Investigations and NAB share information and meet frequently to discuss progress in these cases. The cases under investigation include allegations of procurement fraud and bribery or kickback schemes associated with USAID-funded programs.
- *Collaborating with USAID/Pakistan to establish a fraud hotline in Pakistan.* This project was approved in June 2010, and a USAID implementing partner is designing the hotline and a fraud awareness program. Once USAID/Pakistan, USAID OIG, and the implementing partner reach an agreement on how to proceed, a public event will be held to introduce the new program.
- *Providing fraud awareness briefings and expanding investigatory coverage.* In the past quarter, USAID OIG personnel held numerous meetings with USAID/Pakistan contracting personnel, coordinated with the USAID regional legal advisor, and undertook other activities to ensure that personnel managing USAID projects know how to report fraud- and corruption-related issues.
- *Coordinating audits and investigations with other U.S. agencies.* USAID OIG has worked with other OIGs, GAO, and law enforcement agencies, including the Federal Bureau of Investigation’s International Corruption Unit and the U.S. Embassy’s Legal Attaché Office. During this quarter, USAID OIG received significant investigative assistance from the FBI.

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<sup>13</sup> NAB is the primary law enforcement agency in Pakistan responsible for investigating white-collar crime and public corruption, and it is Pakistan’s only law enforcement agency authorized to conduct investigations in FATA.

# Staffing

The U.S. Mission in Pakistan is increasing staffing levels in Islamabad and at regional offices in Peshawar, Lahore, and Karachi to manage the increased USAID portfolio and budget. Staffing information provided by USAID indicates that it had 38 U.S. direct-hire staff and 125 other staff members on board as of May 31, 2010. Since the last quarterly report, the mission has increased its staff by 12 positions—5 U.S. direct hires and 7 other staff members. Table 8 and Figure 2 detail USAID staffing.

**Table 8. USAID Staffing in Pakistan as of May 31, 2010 (Unaudited)**

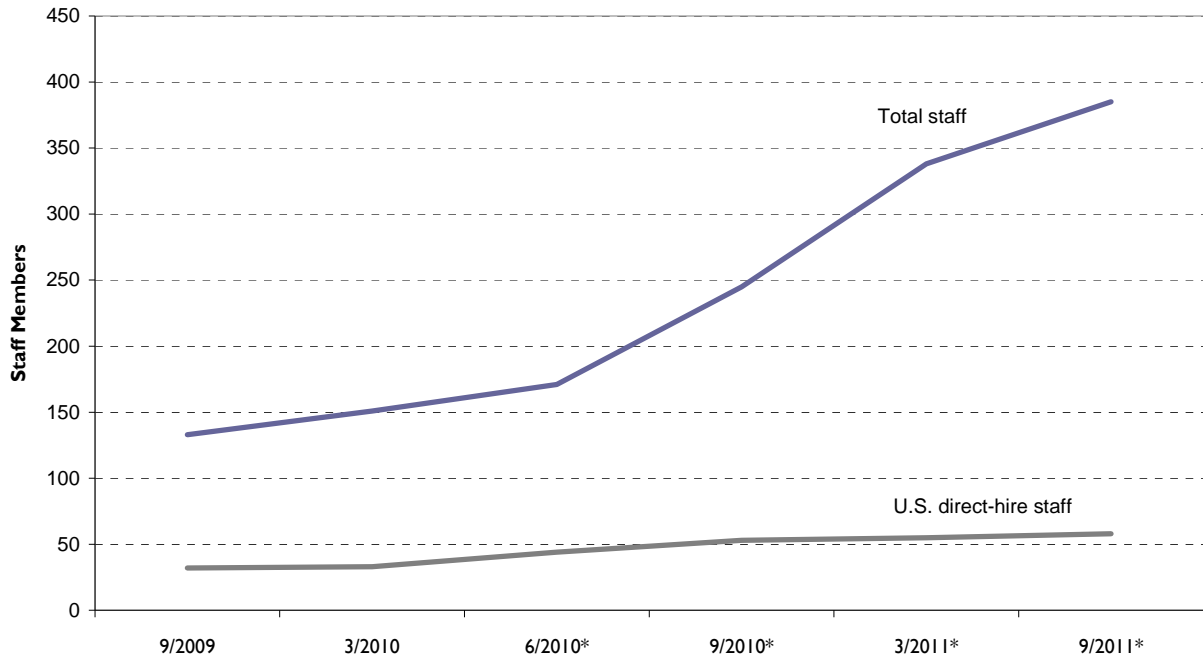
Category	Islamabad	Peshawar	Lahore	Karachi	Total	Difference from March 31, 2010
U.S. direct hire	33	4	1	0	38	+5
U.S. staff from other departments and agencies	2	0	0	0	2	–
U.S. personal services contractors	12	5	0	0	17	–
Third-country nationals	6	2	0	0	8	+1
Foreign Service Nationals (Pakistani staff)	78	12	3	3	96	+6
Eligible family members	1	0	0	1	2	–
<b>Total</b>	<b>132</b>	<b>23</b>	<b>4</b>	<b>4</b>	<b>163</b>	<b>+12</b>

Source: USAID/Pakistan

To meet the target of 245 staff on board by the end of FY 2010, USAID will have to increase staffing in Pakistan substantially during the next 3 months (Figure 2).

NAS reports that it had 78 staff and contractors on board as of June 30, 2010, including 2 U.S. direct hires. The PAS reports that it had 11 direct hires on board as of that date.

**Figure 2. Actual and Projected Staffing Levels in Pakistan for USAID**



\* Projections

Source: USAID/Pakistan

# Oversight Status

## USAID Office of Inspector General

USAID OIG oversees foreign assistance programs administered by USAID, the United States African Development Foundation, the Inter-American Foundation, and the Millennium Challenge Corporation. USAID OIG has strengthened its focus on Pakistan since USAID reopened its Pakistan mission in 2002. In recent years, the OIG has covered a wide array of USAID programs in Pakistan, for relief and stabilization, reconstruction, sustainable development, education, and health care. USAID OIG's oversight activities include performance audits, financial audits, and investigations.

### Work Completed Since April 1, 2010

From April 1 through June 30, 2010, USAID OIG completed one performance audit report and one performance review report and reviewed two financial audit reports:

- **Audit of USAID/Pakistan's Primary Healthcare Revitalization, Integration and Decentralization in Earthquake-Affected Areas Project (Audit Report No. 5-391-10-010-P, June 28, 2010).** This performance audit focused on whether the project improved access to and the quality of primary health care services. The audit found that the project has contributed to improving the quality of primary health care services, but much work remains to be done on improving access to these services—particularly access to facilities that offer a higher level of health care to patients whose conditions cannot be treated at primary health care facilities. (For details on the results of this audit, see page 21.)
- **Review of USAID's Internally Displaced Persons Programs in Pakistan (Report No. 5-391-10-001-S, June 28, 2010).** This review assessed the status of USAID's activities for IDPs in Pakistan. USAID OIG's review was conducted concurrently with the Department of State (DOS) OIG's review of the DOS program for IDPs implemented by the Office of the United Nations High Commissioner for Refugees (which is still in progress). USAID OIG found that monitoring and evaluation methods needed improvement and made four recommendations to address weaknesses. (For details on the results of this review, see page 15.)
- **Financial Audit of USAID Funds Managed by Forman Christian College, Lahore, for the Period July 1, 2007, to June 30, 2009 (Audit Report No. 5-391-10-033-R, May 18, 2010).** Forman Christian College received \$394,255 from USAID to develop a 4-year bachelor's degree program and to strengthen the College's programs in basic science and information technology. The auditors concluded that Forman Christian College's fund accountability statement had fairly presented the revenues and costs incurred under the agreement. The audit did not disclose any

significant internal control deficiencies or any instances of noncompliance with applicable laws and regulations, or agreement provisions.

- **Financial Audit of USAID Funds Managed by Khushhali Bank, for the Year Ended December 31, 2008 (Audit Report No. 5-391-10-029-R, April 30, 2010).** Khushhali Bank received \$1,653,377 from USAID to improve poor households' access to microfinance services and, secondarily, to strengthen the bank as a competitive microfinance institution. The auditors concluded that, except for the effects of \$65,652 in questioned costs, the bank's fund accountability statement fairly presented the revenues and costs incurred under the USAID-financed agreement. The \$65,652 in questioned costs, as well as \$24,282 in cost-sharing contributions by the bank that the auditors also questioned, represented provisions for doubtful loans that were potentially ineligible to be charged as costs under the agreement. USAID OIG recommended that USAID determine the allowability of these questioned costs and recover any costs determined to be ineligible.

In addition to these audit assignments, USAID OIG completed five investigative cases. In one case, with the FBI's assistance, USAID OIG conducted an investigation that resulted in the subsequent termination of employment of a USAID personal services contractor. The individual was responsible for managing a \$300 million cooperative agreement. USAID OIG's investigation revealed that the individual had acted unethically by requesting assistance from a USAID implementing partner to obtain employment for relatives. USAID OIG referred this matter to USAID/Pakistan in June 2010.

### Work Under Way for FY 2010

As of June 30, 2010, USAID OIG has three performance audits and one financial audit in process:

- **Audit of USAID/Pakistan's Family Advancement for Life and Health Program.** In June 2007, USAID/Pakistan launched this 5-year, \$60 million program. The program aims to increase the availability of information and family planning services for low-income Pakistani women and operates in all four provinces of Pakistan. A nationwide social marketing program for contraception is also a component of the program. The program promotes birth spacing as an essential health intervention to reduce maternal and child mortality. It also promotes the use of contraceptive methods among families who want to space births. To remove barriers to contraceptive use, the program works to increase community understanding of the value of birth spacing for family health and well-being. The program also intends to improve access to quality reproductive health care in the public and private sectors. This audit will determine whether USAID/Pakistan's Family Advancement for Life and Health Program has effectively provided access to family planning information and services.
- **Audit of USAID/Pakistan's FATA Livelihood Development Program—Implemented by the Academy for Educational Development.** FATA consists of semiautonomous areas along the border with Afghanistan, where the Pakistani Government has minimal control. These areas are frequently used by the Taliban for incursions into Afghanistan. Citizens there have less access to education, health care, clean water, and sanitation than do residents in other regions in Pakistan. The FATA Livelihood Development Program is a community-based program that aims to (1) create



jobs, increase incomes, and teach employable skills, (2) revitalize community infrastructure and essential services, and (3) support established businesses and develop sustainable new enterprises. The OIG's audit will assess the program's effectiveness in improving livelihoods in FATA.

- **Audit of USAID/Pakistan's FATA Livelihood Development Program—Implemented by CHF International.** This audit is similar to the preceding one, but it covers the portion of the program that is implemented by CHF International.
- **Financial Audit of the Costs Incurred by Research Triangle Institute Under the Education Sector Reform Assistance Program's School Enhancement Program Component, for the Period December 4, 2002, to September 30, 2007.**

In addition to these audit assignments, USAID OIG has eight open investigative cases.

### **Work Planned for the Remainder of FY 2010**

During the remainder of FY 2010, USAID OIG expects to conduct one additional performance audit and four financial audits:

- **Audit of USAID/Pakistan's Pre-Service Teacher Education Program (Pre-STEP).** The objective of the Pre-Service Teacher Education Program is to improve the quality of basic education in Pakistan by strengthening teachers' education and skills. The program will directly benefit new and practicing teachers by helping them gain revised and upgraded teacher qualifications. This \$75 million, 5-year program will enable the nonprofit Education Development Center and the Pre-STEP team to partner with the Ministry of Education, the Higher Education Commission, selected universities, and the district-level colleges responsible for the training and certification of new teachers. By providing intensive support and training in student-centered teaching practices, assistance with curriculum design, development and implementation of a measurable system of teaching standards, and appropriate incentives and accreditation policies, Pre-STEP will assist Pakistan in producing teachers prepared to meet the educational demands of the 21st century. This audit will determine whether USAID/Pakistan's Pre-Service Teachers Education Program is helping teachers improve their professional qualifications.
- **Financial Audit of USAID Funds Managed by Ministry of Finance, Government of Pakistan for Education, Health, and Clean Drinking Water Budget Lines, for the Period June 15, 2007, to June 30, 2008, and for the Government of Pakistan Rural Landless Compensation Policy Budget Line, for the Period June 15, 2007, to December 31, 2009.**
- **Financial Audit of USAID Funds Managed by the Ministry of Economic Affairs and Statistics (Economics Affairs Division) Under the Cash Transfer Grant Agreement, Activity No. 391-AAG-012-IL-01 for Internally Displaced Persons, for the Period July 1, 2009, to June 30, 2010.**

- **Financial Audit of USAID Funds Managed by the Higher Education Commission Under the Merit and Needs-based Scholarship Project, for the Period July 2, 2004, to June 30, 2010.**
- **Financial Audit of the USAID/Pakistan Trust Funds Composed of Operating Expenses, for the Fiscal Years Ended September 30, 2007, 2008, and 2009.**

## Department of State Office of Inspector General

### Work Under Way for FY 2010

From April 1 through June 30, 2010, the Department of State (DOS) OIG had one performance audit and one inspection under way:

- **Review of Pakistan’s Internally Displaced Persons (Performance Audit).** The review will determine whether (1) the U.S. Government and international organizations have effectively met the protection, food, and other assistance needs of Pakistan’s IDPs, (2) the U.S. Government has a coordinated and effectively managed program to protect and assist these persons, and (3) the program has accounted for the flow and use of funds provided to assist Pakistan’s IDPs. This audit is in the fieldwork stage.
- **Inspection of Embassy Islamabad (Pakistan).** The inspection will evaluate the Embassy’s implementation of policy; management of resources; adequacy of management controls; and measures to protect people, information, and facilities. This review is in the final report stage.

Additionally, the DOS OIG’s Office of Investigations has two open cases for Pakistan. No DOS investigators are assigned to Pakistan at this time; investigative work is carried out by the Middle East Investigative Branch offices located in Jordan and Egypt.

### Work Planned for the Remainder of FY 2010

The DOS OIG has three activities planned for the remainder of FY 2010—one evaluation and two performance audits:

- **Review of Emergency Action Plans for Embassies Baghdad, Kabul, and Islamabad (Program Evaluation).** The review will assess the status and effectiveness of emergency action plans for Embassies Baghdad, Kabul, and Islamabad to determine their reasonableness and their level of coordination with the military commanders in-country.
- **Review of Local Security Guard Program, Embassy Islamabad (Performance Audit).** The review will examine and summarize the requirements and provisions of the Islamabad Embassy Security Force contract, including the objectives of the contract and task orders, indicators

established to measure performance, and internal controls over the contractor's performance and contract costs.

- **Review of Internal Management Controls of Funds Provided to Pakistan (Performance Audit).** The review will determine whether specific internal controls have been properly designed and put in place for the Pakistan program funds, including procedures for planning, organizing, directing, and controlling program operations. The review will also assess the system put in place for measuring, reporting, and monitoring program performance.

## Department of Defense Office of Inspector General

The DOD OIG has one Pakistan assignment planned for the remainder of FY 2010:

- **Pakistan Security Assistance and Coalition Support Funds.** This project will assess whether security assistance and support funds have been managed effectively. Additional research will identify specific objectives.

## Government Accountability Office

GAO is an independent, nonpartisan agency that oversees Federal Government spending. GAO's mission is to help improve the performance and ensure the accountability of the Federal Government for the benefit of the American people. GAO performs oversight at the request of Congress. Additionally, GAO may be required to research issues mandated by public laws or may undertake work prompted by broad-based congressional interest under the authority of the Comptroller General. GAO supports congressional oversight through many avenues, such as auditing agency operations, investigating allegations of illegal activities, reporting on the efficiency and effectiveness of government programs and policies, analyzing policy, outlining options for congressional consideration, and issuing legal decisions and opinions. GAO consults with key members of the accountability community, including the inspectors general. For example, GAO participates in the Afghanistan-Pakistan Subgroup, which is chaired by USAID OIG and focuses on oversight of U.S. programs in those two countries.

## Work Completed Since April 1, 2010

Between April 1 and June 30, 2010, GAO published one report:

- **Combating Terrorism: Planning and Documentation of U.S. Development Assistance in Pakistan's Federally Administered Tribal Areas Need to Be Improved (GAO-10-289, April 2010).** GAO noted that U.S. development objectives in FATA are generally aligned with U.S. national security goals and Pakistan's FATA development plans, but plans by USAID and Pakistan for joint strategic implementation and other development activities in FATA had not yet been completed. As of the end of FY 2009, the U.S. Government had reportedly allocated more than \$728 million of its pledged \$750 million for development assistance in FATA and tracked most, but not all, of these obligations and expenditures in accordance with good management practices. GAO

also noted that some key elements and documentation for programs were missing or not collected in performance management plans and reports. Further, GAO found that USAID could not apply the direct monitoring procedures for development assistance called for in its guidance, because of security challenges, and did not always document its use of indirect monitoring procedures. GAO made several recommendations to DOS and USAID to improve planning, documentation, and monitoring of U.S. development assistance to Pakistan's FATA. GAO noted the importance of enhancing oversight in light of the \$7.5 billion in new assistance for Pakistan authorized by the Enhanced Partnership with Pakistan Act of 2009.

## Work Under Way for FY 2010

GAO has four ongoing engagements concerning Pakistan:

- **U.S. Efforts to Enhance Pakistan's Security Forces.** This engagement will assess (1) U.S. plans and funding for improving the counterterrorism and counterinsurgency capabilities of Pakistani forces operating in the western frontier bordering Afghanistan; (2) the status of specific projects and activities and the challenges associated with implementing those efforts; and (3) the extent to which DOD and DOS monitoring and oversight of U.S.-funded activities in support of this effort provide reasonable assurance that funds are used and activities are implemented as intended. GAO expects to complete the engagement in July 2010.
- **Pakistan Assistance Strategy Report.** This engagement is mandated by Section 302(b)1 of the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73). It will assess the report describing U.S. policy and strategy for U.S. democratic, economic, and development assistance to Pakistan, as authorized by Title I of the act (\$1.5 billion for 5 years, \$7.5 billion total). GAO is tasked with commenting on the strategy, making recommendations to improve the efficiency and effectiveness of U.S. efforts, describing Pakistan's expenditures under the Foreign Military Financing Program, and assessing the impact of U.S. assistance on the security and stability of Pakistan. The Secretary of State sent the report to Congress in mid-December 2009; GAO's report is due no later than 1 year after the report is submitted. GAO expects to complete it in December 2010.
- **Pakistan's Progress Combating Terrorism.** This engagement is mandated by Section 302(b)2 of the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73). GAO will conduct an independent analysis of the President's annual certification that: (1) the Government of Pakistan has demonstrated a sustained commitment to and is making significant efforts toward combating terrorist groups during the preceding fiscal year, including progress on matters such as ceasing support to terrorist groups, preventing terrorist groups from operating in Pakistan, and strengthening counterterrorism and anti-money-laundering laws; and (2) the security forces of Pakistan are not materially and substantially subverting the political or judicial processes of Pakistan. GAO expects to complete this assessment 120 days after the President's certification is sent to Congress.
- **Pakistan Nuclear Networks.** This engagement is mandated by Section 302(b)2 of the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73). It will assess the extent to which (1) the

U.S. Government assessed and disclosed the reliability and accuracy of documentary evidence used to support the President's certification that Pakistan is cooperating with the U.S. Government in dismantling nuclear weapons-related supplier networks; (2) conclusions in the certification are consistent with the views of experts in private sector research organizations, academia, and other U.S. Government agencies, or are explained where they differ; and (3) there are gaps in the issues the U.S. Government considered in making its certification. GAO expects to complete the assessment 120 days after the President's certification is sent to the Congress.

### **Work Planned for the Remainder of FY 2010**

In response to congressional interest, GAO may begin additional work on Pakistan and state its findings in subsequent reports.

## Completed Oversight Reports, as of June 30, 2010

Table 9 lists oversight reports completed since the passage of the Enhanced Partnership with Pakistan Act, October 15, 2009.

**Table 9. Oversight Reports Completed as of June 30, 2010**

Agency	Report Number	Report Date	Report Title
USAID	5-391-10-010-P	6/28/10	Audit of USAID/Pakistan's Primary Healthcare Revitalization, Integration and Decentralization in Earthquake-Affected Areas Project
USAID	5-391-10-001-S	6/28/10	Review of USAID's Internally Displaced Persons Programs in Pakistan
USAID	5-391-10-033-R	5/18/10	Financial Audit of USAID Funds Managed by Forman Christian College, Lahore, for the Period From July 1, 2007, to June 30, 2009
USAID	5-391-10-029-R	4/30/10	Financial Audit of USAID Funds Managed by Khushhali Bank for the Year Ended December 31, 2008
GAO	GAO-10-289	4/2010	Combating Terrorism: Planning and Documentation of U.S. Development Assistance in Pakistan's Federally Administered Tribal Areas Need to Be Improved
DOS	MERO-A-1 0-03	3/12/10	The Bureau of International Narcotics and Law Enforcement Affairs Air Wing Program in Afghanistan and Pakistan, Performance Audit
DOS	MERO-A-10-02	11/18/09	Status of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan, Performance Audit
USAID	5-391-10-026-R	3/24/10	Closeout Financial Audit of USAID Funds Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period from July 1, 2007, to December 31, 2007
USAID	5-391-10-020-R	2/11/10	Closeout Financial Audit of USAID Funds Managed by Aga Khan University—Examination Board, for the Year Ended December 31, 2007
USAID	5-391-10-005-P	1/28/10	Audit of USAID/Pakistan's Capacity Building for the Federally Administered Tribal Areas Development Program
USAID	5-391-10-012-R	12/22/09	Financial Audit of USAID Funds Managed by Children's Global Network Pakistan Limited, for the Year Ended June 30, 2008

# Appendix I—The Enhanced Partnership with Pakistan Act of 2009, Public Law 111-73

## Title I. Democratic, Economic, and Development Assistance

Title I authorizes five types of programs, identified below. Also, Title I encourages the President to utilize Pakistani firms and nongovernmental organizations, as appropriate, and to work with local leaders to provide assistance. It states that assistance funds shall be utilized to the maximum extent possible as direct expenditures for projects and programs. Finally, up to \$30 million of the \$1.5 billion per year authorized for Title I will be available to the Inspectors General for the Department of State and USAID for audits, investigations, and other oversight activities.

### Title I Programs

#### 1. Consolidation of democratic institutions

- Support for efforts to strengthen Pakistan’s institutions, including the National Parliament
- Voter education and civil society training
- Political party capacity building
- Capacity strengthening for the civilian Government of Pakistan

#### 2. Rule of law, government capacity, and respect for human rights

- Establishment of frameworks that promote government transparency and criminalize corruption
- Police professionalization, including training regarding use of force, human rights, and community policing
- Support for judicial and criminal justice systems
- Legal and political reforms in FATA
- Counternarcotics support
- Promotion of human rights
- Support for responsible, capable, and independent media

#### 3. Economic freedom and economic development

- Investments in water resource management systems
- Farm-to-market roads, systems to prevent spoilage and waste, and other small-scale infrastructure improvements
- Investments in energy
- Employment generation
- Support for worker rights
- Increased access to microfinance
- Expanded opportunities and training for youth at risk of radicalization

#### **4. Investment in people**

- Support for primary and secondary education and vocational and technical training
- Higher-education programs
- Public health programs
- Capacity-building support for nongovernmental and civil society organizations
- Assistance to refugees and internally displaced persons and long-term development programs in high-conflict regions

#### **5. Public diplomacy**

- Opportunities for civil society and other leaders to speak out against militancy and violence
- Expanded exchange activities to promote mutual understanding and interfaith dialogue

### **Title II. Security Assistance**

Title II authorizes three types of programs, identified below. Assistance under Title II requires certifications by the Secretary of State, under the direction of the President, that (1) the Government of Pakistan is continuing to cooperate with the United States in efforts to dismantle supplier networks relating to the acquisition of nuclear weapons-related materials, (2) the Government of Pakistan has demonstrated a sustained commitment to and is making significant efforts toward combating terrorist groups, and (3) the security forces of Pakistan are not materially and substantially subverting the political or judicial processes of Pakistan. In addition, the act provides that direct cash payments may be provided or made only to civilian authorities of a civilian government of Pakistan.

#### **Title II Programs**

##### **1. International military education and training**

It is the sense of Congress that a substantial amount of the funds appropriated for international military education and training should be for courses in counterinsurgency and civil-military relations.

##### **2. Foreign military financing program**

Grant assistance is authorized under the Arms Export Control Act<sup>14</sup> to purchase defense articles, defense services, and military education and training for Pakistan. A significant portion of the amount made available to carry out this subsection for a fiscal year shall be for the purchase of defense articles, defense services, and military education and training for activities relating to counterinsurgency and counterterrorism operations in Pakistan. It is the sense of Congress that a significant majority of funds should be used for such purposes, and that the United States should facilitate reconstruction assistance, including through Pakistan's military as appropriate, in areas damaged by combat operations.

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<sup>14</sup> The Arms Export Control Act of 1976 is defined under 22 U.S.C., Chapter 39. The act was updated by Congress on January 5, 2009.



### **3. Exchange program between Pakistani military and civilian personnel and personnel in other countries**

Exchange programs are authorized between civilian and military Pakistani personnel and personnel in NATO member countries and other countries, as determined by the Secretary of State, to foster mutual respect for and understanding of the principle of civilian rule of the military.

### **Title III. Strategy, Accountability, Monitoring, and Other Provisions**

Title III requires the submission of certain strategy and monitoring reports:

- **Pakistan assistance strategy report** describing the principal objectives and specific programs planned to carry out Title I of the act (45 days after enactment).
- **Comprehensive regional security strategy report** describing a comprehensive interagency regional security strategy to eliminate terrorist threats and close safe havens in Pakistan (180 days after enactment).
- **Security-related assistance plan** describing proposed uses of security-related assistance (180 days after enactment).
- **Semiannual monitoring reports** describing assistance provided under Title I including an assessment of the effectiveness of the assistance provided (every 180 days).
- **Report by the Government Accountability Office (GAO)** including a review of the Pakistan assistance strategy report, recommendations relating to any actions needed to improve the efficiency and effectiveness of U.S. efforts to meet the objectives of the act, a detailed description of the expenditures made by Pakistan pursuant to grant assistance under Section 23 of the Arms Export Control Act (22 U.S.C. 2763; relating to the Foreign Military Financing program), and an assessment of the impact of the assistance on the security and stability of Pakistan (1 year after submission of the Pakistan assistance strategy report).
- **GAO report regarding certifications** that (1) the Government of Pakistan is continuing to cooperate with the United States in efforts to dismantle supplier networks relating to the acquisition of nuclear weapons-related materials, (2) the Government of Pakistan has demonstrated a sustained commitment to and is making significant efforts toward combating terrorist groups, and (3) the security forces of Pakistan are not materially and substantially subverting the political or judicial processes of Pakistan (120 days after certifications are made).

## Appendix II—Abbreviations

CEO	chief executive officer
COR	contracting officer’s representative
DEA	Drug Enforcement Administration
DHS	Department of Homeland Security
DOC	Department of Commerce
DOD	Department of Defense
DOE	Department of Energy
DOL	Department of Labor
DOS	Department of State
ECON	Economic Affairs Section (U.S. Embassy Islamabad)
FBI	Federal Bureau of Investigation
FATA	Federally Administered Tribal Areas
FY	fiscal year
GAO	Government Accountability Office
IDPs	internally displaced persons
INL	International Narcotics and Law Enforcement (DOS)
IT	information technology
MWP	Ministry of Water and Power
NAB	National Accountability Bureau
NAS	Narcotics Affairs Section (U.S. Embassy Islamabad)

NGO	nongovernmental organization
OIG	Office of Inspector General
PaRRSA	Provincial Relief, Rehabilitation and Settlement Authority
PAS	Public Affairs Section (U.S. Embassy Islamabad)
POL	Political Affairs Section (U.S. Embassy Islamabad)
Pre-STEP	Pre-Service Teacher Education Program
RSO	Regional Security Office (U.S. Embassy Islamabad)
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USIP	U.S. Institute for Peace
USTDA	U.S. Trade and Development Agency
WAPDA	Water and Power Development Authority