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

As of March 31, 2010



# Foreword

This is the first in a projected series of quarterly progress and oversight reports 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, issues encountered during program implementation, and actions taken to address them.

This first report covers the period from October 15, 2009, when the Enhanced Partnership with Pakistan Act of 2009 became law, through March 31, 2010. Since no appropriations authorized under the Act have yet been received, U.S. Government departments and agencies in Pakistan have been focusing on developing strategies to accomplish the Act's objectives and using existing programs and sources of funding to support these strategies.

The information on program status in this report is based on information provided by the departments and agencies working in Pakistan, the results of oversight work, and other sources of information. 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 the U.S. Government Accountability Office.

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Inspector General  
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/s/

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/s/

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# Abbreviations

CEO	Chief executive officer
COR	Contracting officer's representative
FATA	Federally Administered Tribal Areas
GAO	Government Accountability Office
HIV/AIDS	Human immunodeficiency virus/acquired immunodeficiency syndrome
IDP	Internally displaced persons
INL/A	International Narcotics and Law Enforcement/Office of Aviation
NAB	National Accountability Bureau
NAS	Narcotics Affairs Section
NGO	Nongovernmental organization
NWFP	North-West Frontier Province
OIG	Office of Inspector General
Pre-STEP	Pre-Service Teacher Education Program
USAID	U.S. Agency for International Development

# Executive Summary

The Enhanced Partnership with Pakistan Act of 2009 authorizes democratic, economic, and development assistance to Pakistan in the amount of \$1.5 billion per year from FY 2010 to FY 2014, for a total of \$7.5 billion. The Pakistan assistance strategy report submitted by the Department of State pursuant to the Act describes three key objectives of this long-term development assistance program:

- 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.

While awaiting the appropriations authorized by the Act, a great deal of effort has been devoted to strategy development, design, and negotiation of new grants and contracts. The U.S. departments and agencies working in Pakistan also continue to implement existing programs and make adjustments to align their programs more closely with new strategies prepared since passage of the Act in October 2009.

According to the U.S. Embassy in Pakistan, \$1.8 billion in FY 2009 and FY 2010 funds has been obligated as of March 31, 2010. No expenditure information relating to these obligations is yet available.

Several U.S. departments and agencies are working to carry out the assistance programs authorized in Title I of the Act. The U.S. Agency for International Development (USAID) the U.S. Department of Agriculture, and the U.S. Department of Commerce are, or will be, implementing a preponderance of the programs in the areas of high impact infrastructure programs, post-crisis humanitarian assistance, education and health services, and governance, while the U.S. Embassy Narcotics Affairs Section is taking the lead in the area of improved security and legal institutions.

The U.S. departments and agencies working in Pakistan, with their respective oversight organizations, have identified a number of risks and implementation issues that could threaten the success of the U.S. Government's assistance program in Pakistan. The most important risks and implementation issues involve the need to sustain political support for the principles that underlie the assistance program, security threats that make it hard to implement and monitor assistance programs, and limited Pakistani Government institutional capacity. While strategies for addressing these issues have been developed and are being implemented, all of these issues demand sustained attention and monitoring.

To help ensure that U.S. Government funds are protected against waste and diversion, the oversight organizations involved in monitoring U.S. Government assistance programs in Pakistan are expanding

audit, inspections, and investigations programs and partnering with Pakistani institutions including the Office of the Auditor General, the National Accountability Bureau, and Pakistani public accounting firms.

During the period covered by this report—from the passage of the Act in October 2009 through March 31, 2010—the USAID Office of Inspector General (OIG) issued one performance audit and transmitted one financial audit to USAID for action. The performance audit concluded that a USAID program for building government and civil society capacity in the Federally Administered Tribal Areas (FATA) had accomplished relatively little in terms of capacity building, although training had been delivered and initial steps had been taken to automate FATA institutions. The financial audit, covering \$1.9 million in USAID funds managed by a Pakistani non-governmental organization (NGO), identified \$335,172 in questioned costs and \$41,770 in required cost sharing contributions that were either not made or were classified as ineligible questioned costs. The USAID OIG also made a criminal referral to the Department of Justice concerning evidence of illegal acts by employees of a USAID contractor and subcontractor.

During the same period, the Department of State OIG issued two performance audits that covered different aspects of counternarcotics programs in Pakistan. One of these audits, while focusing mainly on counternarcotics programs in Afghanistan, identified a need for more coordination and information sharing between the U.S. embassies in Afghanistan and Pakistan on counternarcotics matters. Additionally, the State OIG identified the major impediment to obtaining poppy free status as the breakdown in security that has negatively affected road projects, alternative crop programs, and poppy eradication, especially in FATA where most poppies are cultivated. The second audit, focusing on a program that supports a Pakistani Ministry of Interior Air Wing, concluded that the Air Wing program effectively provides aviation support for counternarcotics and other missions. Moreover, the program contractor has met safety and readiness requirements. However, a number of contract management and oversight issues need to be resolved.

Several additional audits, inspections, and evaluations are planned or underway. The USAID OIG has three performance audits underway and plans to undertake four more performance audits during the remainder of FY 2010. The USAID OIG also expects to perform desk reviews or other quality control procedures for financial audits of contractors and grantees. The State OIG has one audit and one inspection program in progress and expects to carry out two more performance audits and one program evaluation during the rest of FY 2010. The Department of Defense OIG plans one Pakistan assignment during the rest of FY 2010. Finally, the Government Accountability Office has three assignments currently in progress and expects to undertake two more assignments in FY 2010.

# Background

In recognition of the importance of the bilateral relationship between the United States and Pakistan, the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73, 123 Stat. 2060), a bipartisan bill sponsored in the U.S. Senate by Senators John Kerry, Richard Lugar, and 10 others, was signed into law by President Barack Obama on October 15, 2009. The Act articulates the U.S. intention to work with the Government of Pakistan to build mutual trust and confidence by actively and consistently pursuing a sustained, long-term, multifaceted relationship between the two countries, devoted to strengthening the mutual security, stability, and prosperity of both countries. The Act authorizes appropriations of \$1.5 billion per year for fiscal years (FYs) 2010 through 2014, for a total of \$7.5 billion to support programs described in Title I of the Act.

Title I of the Act authorizes democratic, economic, and development assistance to:

- Support the consolidation of democratic institutions.
- Support the expansion of rule of law, build the capacity of government institutions, and promote respect for internationally recognized human rights.
- Promote economic freedoms and sustainable economic development.
- Support investment in people, including those displaced in on-going counterinsurgency operations.
- Strengthen public diplomacy.

Title II authorizes security assistance for:

- International military education and training.
- A foreign military financing program.
- An exchange program between Pakistani military and civilian personnel and personnel in other countries to foster greater mutual respect for and understanding of the principle of civilian rule of the military.

Title III establishes strategy, accountability, monitoring, and other provisions. Title III requires:

- A report on the strategy to be used to carry out the democratic, economic, and development assistance programs authorized by Title I.
- A comprehensive regional security strategy directed toward eliminating terrorist threats and closing safe havens in Pakistan.



- A security-related assistance plan that describes plans for carrying out programs under Title II.
- A semiannual monitoring report that will include:
  - Reporting on the status of democratic, economic, and development programs authorized under Title I.
  - An evaluation of efforts by the Government of Pakistan to defeat terrorist groups, eliminate safe havens, cease all support for extremist and terrorist groups, prevent attacks into neighboring countries, increase oversight over *madrassas*, and reinforce antiterrorism financing efforts.
  - A description of Pakistan’s efforts to prevent nuclear proliferation.
  - An assessment of the degree to which the Government of Pakistan exercises effective civilian control over the military.

The key provisions of the Act are presented in Table I.

**Table I. Enhanced Partnership with Pakistan Act of 2009**

<b>Title I. Democratic, Economic, and Development Assistance</b>	<b>Title II. Security Assistance</b>	<b>Title III. Strategy, Accountability, Monitoring, and Other Provisions</b>
<p>Title I authorizes five types of programs.</p> <p><b>1. Consolidation of democratic institutions.</b></p> <ul style="list-style-type: none"> <li>• Support for efforts to strengthen Pakistan’s institutions, including the National Parliament.</li> <li>• Voter education and civil society training.</li> <li>• Political party capacity building.</li> <li>• Capacity strengthening for the civilian Government of Pakistan.</li> </ul> <p><b>2. Rule of law, government capacity, and respect for human rights.</b></p> <ul style="list-style-type: none"> <li>• Establishment of frameworks that promote government transparency and criminalize corruption.</li> <li>• Police professionalization, including training regarding use of</li> </ul>	<p>Title II authorizes three types of programs.</p> <p><b>1. International military education and training.</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p><b>2. Foreign military financing program.</b></p> <ul style="list-style-type: none"> <li>• Grant assistance is authorized under the Arms Export Control Act 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</li> </ul>	<p>Title III requires the submission of a number of strategy and monitoring reports:</p> <ul style="list-style-type: none"> <li>• <b>A Pakistan assistance strategy report</b> describing the principal objectives and specific programs planned to carry out Title I of the Act (45 days after enactment).</li> <li>• <b>A comprehensive regional security strategy report</b> describing a comprehensive interagency regional security strategy to eliminate terrorist threats and close safe havens in Pakistan (180 days after enactment).</li> <li>• <b>A security-related assistance plan</b> describing proposed uses of security-related assistance (180 days after enactment).</li> <li>• <b>Semi-annual monitoring</b></li> </ul>

Title I. Democratic, Economic, and Development Assistance	Title II. Security Assistance	Title III. Strategy, Accountability, Monitoring, and Other Provisions
<p>force, human rights, and community policing.</p> <ul style="list-style-type: none"> <li>• Support for judicial and criminal justice systems.</li> <li>• Legal and political reforms in the FATA.</li> <li>• Counternarcotics support.</li> <li>• Promotion of human rights.</li> <li>• Support for responsible, capable, and independent media.</li> </ul> <p><b>3. Economic freedom and economic development.</b></p> <ul style="list-style-type: none"> <li>• Investments in water resource management systems.</li> <li>• Farm-to-market roads, systems to prevent spoilage and waste, and other small-scale infrastructure improvements.</li> <li>• Investments in energy.</li> <li>• Employment generation.</li> <li>• Support for worker rights.</li> <li>• Increased access to microfinance.</li> <li>• Expanded opportunities and training for youth at risk of radicalization.</li> </ul> <p><b>4. Investment in people.</b></p> <ul style="list-style-type: none"> <li>• Support for primary and secondary education and vocational and technical training.</li> <li>• Higher education programs.</li> <li>• Public health programs.</li> <li>• Capacity-building support for nongovernmental and civil society organizations.</li> <li>• Assistance to refugees and internally displaced persons and long-term development programs in high conflict regions.</li> </ul> <p><b>5. Public diplomacy.</b></p> <ul style="list-style-type: none"> <li>• Opportunities for civil society and other leaders to speak out against militancy and violence.</li> <li>• Expanded exchange activities to promote mutual understanding</li> </ul>	<p>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.</p> <p><b>3. Exchange program between Pakistani military and civilian personnel and personnel in other countries.</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p>Assistance under Title II requires certifications by the Secretary of State, under the direction of the President, that (i) 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, (ii) the Government of Pakistan has demonstrated a sustained commitment to and is making significant efforts towards combating terrorist groups, and (iii) the security forces of Pakistan are not materially and substantially subverting the political or judicial</p>	<p><b>reports</b> describing assistance provided under Title I including an assessment of the effectiveness of the assistance provided (every 180 days).</p> <ul style="list-style-type: none"> <li>• <b>A report by the Government Accountability Office (GAO)</b> 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).</li> <li>• <b>A GAO report regarding certifications</b> that (i) 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, (ii) the Government of Pakistan has demonstrated a sustained commitment to and is making significant efforts towards combating terrorist groups, and (iii) the security forces of Pakistan are not materially and substantially subverting the political or judicial processes of Pakistan (120 days after certifications are made).</li> </ul>

<b>Title I. Democratic, Economic, and Development Assistance</b>	<b>Title II. Security Assistance</b>	<b>Title III. Strategy, Accountability, Monitoring, and Other Provisions</b>
<p>and interfaith dialogue. Title I encourages the President, as appropriate, to utilize Pakistani firms and nongovernmental organizations and to work with local leaders to provide assistance. It also states that assistance funds shall be utilized to the maximum extent possible as direct expenditures for projects and programs. Finally, it provides that 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 of program funds.</p>	<p>processes of Pakistan. In addition, the Act provides that direct cash payments may only be provided or made to civilian authorities of a civilian government of Pakistan.</p>	

The State Department submitted the Pakistan assistance strategy report required by Title III on December 14, 2009. The report describes three key objectives of U.S. assistance under Title I:

- 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.

The programs envisioned to achieve these objectives, together with planned funding levels from FY 2010 through FY 2014 are presented in Table 2.

**Table 2. Summary of Projected U.S. Assistance to Pakistan for FY 2010 through FY 2014**

<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>Government capacity improvement</b>	<b>2,000</b>
• Improved national and local governance	1,000

<b>Activities</b>	<b>(\$ millions)</b>
• Improved security and legal institutions	1,000
<b>Focused humanitarian and social services</b>	<b>2,000</b>
• Immediate post-crisis and other humanitarian assistance	500
• Increased access to and quality of education and health services	1,500
<b>Total</b>	<b>7,500</b>

Source: Pakistan assistance strategy report dated December 14, 2009

None of the new funds authorized by the Enhanced Partnership with Pakistan Act have been received by the U.S. departments and agencies that will implement the Act. However, these departments and agencies continue to implement their existing programs in Pakistan and have made adjustments to their programs to make them more consistent with the new strategies outlined in the Pakistan assistance strategy report, the civilian-military plan for Pakistan, and the Afghanistan and Pakistan regional stabilization strategy.

It will be challenging to achieve the outcomes envisioned by the Enhanced Partnership with Pakistan Act. All international development programs (as opposed to short-term humanitarian assistance programs) require a long-term orientation and sustained focus. The U.S. Government hopes that a large portion of its assistance programs in Pakistan will be implemented directly by Pakistani institutions, including the Government of Pakistan. It is hoped that implementing programs primarily through Pakistani institutions—with a correspondingly smaller role for U.S.-based contractors and grantees—will help build strong local institutions and reinforce the reputation and standing of the Government of Pakistan. While this approach is not unprecedented, it represents a fundamental change in the way the U.S. Government delivers civilian assistance in Pakistan. It will be important to monitor the degree to which both Governments maintain focus on the objectives outlined in the Enhanced Partnership with Pakistan Act and also to monitor the effectiveness and accountability record of institutions that are chosen to carry out specific assistance programs.

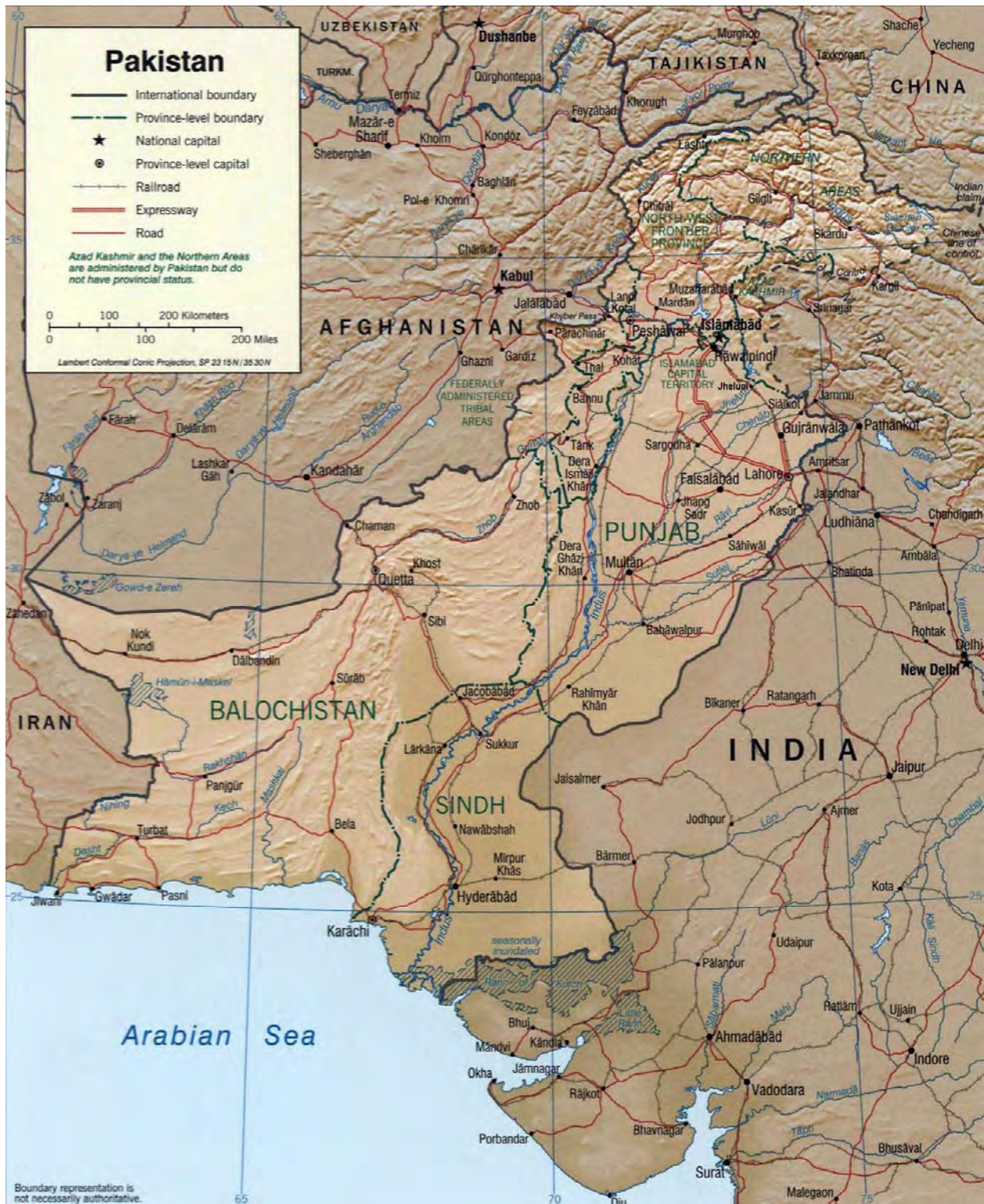


Figure 2. Map of Pakistan

# Program Status

The U.S. departments and agencies delivering development assistance in Pakistan are aligning current assistance programs with the new strategies that support Title I of the Enhanced Partnership with Pakistan Act of 2009, and they are designing and negotiating new programs to implement these strategies. An overview of the status of current and new programs is provided in the following sections. Since the departments and agencies have relatively few results to report since passage of the Act, descriptive information is presented on the programs, performance indicators, and performance targets for FY 2010 to convey a sense of the magnitude of the civilian assistance program in Pakistan and the results it is expected to achieve.

The U.S. Embassy reports that \$1.8 billion in FY 2009 and FY 2010 funds has been obligated for non-military assistance as of March 31, 2010 (Table 3). (No expenditure information corresponding to these obligations is yet available. Also note that the new appropriations authorized under the Act have not yet been received.)

**Table 3. Program Financial Status as of March 31, 2010 (\$ Millions; Unaudited)**

Activities	FY 2009 Obligations	FY 2010 Obligations	Total Obligations
<b>High impact, high visibility infrastructure programs</b>			
Trade development	5.0	–	5.0
FATA roads/bridges	–	–	–
FATA roads (Swat, ring road)	–	–	–
Foreign agriculture programs	44.0	–	44.0
<b>Subtotals</b>	<b>49.0</b>	<b>–</b>	<b>49.0</b>
<b>Government capacity improvement</b>			
Counternarcotics	–	–	–
Border security (aviation)	8.9	–	8.9
Border security (commodities and training)	–	–	–
Police/law enforcement training	22.1	–	22.1
Demand reduction/ awareness	–	–	–
Governance	50.3	–	50.3
Democracy rights labor	–	–	–
Democracy - National Endowment for Democracy	–	–	–
Energy programs	66.6	94.2	160.8
Dept. Homeland Security/Immigration & Customs Enforcement programs	1.1	1.1	2.2
Federal Bureau of Investigation/Legal attaché programs	1.0	1.8	2.8
Drug Enforcement Agency programs	1.5	1.5	3.0
<b>Subtotals</b>	<b>151.5</b>	<b>98.6</b>	<b>250.1</b>
<b>Focused humanitarian and social services</b>			
Humanitarian assistance-earthquake reconstruction	52.4	–	52.4

<b>Activities</b>	<b>FY 2009 Obligations</b>	<b>FY 2010 Obligations</b>	<b>Total Obligations</b>
Health	87.2	–	87.2
Educational (Incl. \$45m Higher Education Commission)	173.5	–	173.5
Humanitarian programs/social assistance – internally displaced persons (\$44m cash transfer, Benazir Income Support Program, and World Food Program)	150.0	–	150.0
Humanitarian programs/social assistance - other programs	58.9	–	58.9
Humanitarian programs (Office of Foreign Disaster Assistance)	105.8	54.7	160.5
Office of Transition Initiatives	67.5	–	68.0
Health	23.5	–	23.5
World Food	55.4	57.9	113.3
USAID Transfer to United Nations Bhutto Commission	1.0	–	1.0
USAID Transfer to State (Dept. of Defense) in process	10.0	–	10.0
Trafficking in persons	0.5	–	0.5
Mitigating child labor	–	4.0	4.0
Pakistan internally displaced persons	59.6	–	59.6
Afghan refugees	80.9	–	80.9
Fulbright	19.5	–	19.5
Other exchanges	35.0	30.0	65.0
Public diplomacy operating expenses	2.0	2.0	4.0
<b>Subtotals</b>	<b>982.6</b>	<b>148.6</b>	<b>1,131.2</b>
<b>Other programs</b>			
Economic growth	340.2	–	340.2
International Trade Administration FY 2010 Funds	0.8	0.8	1.6
Bio-security	12.0	–	12.0
Telemedicine	0.5	–	0.5
Strategic communications	22.6	–	22.6
U.S. Institute For Peace	–	0.9	0.9
Military information support team	7.0	7.0	14.0
<b>Subtotals</b>	<b>383.1</b>	<b>8.7</b>	<b>391.7</b>
<b>Totals</b>	<b>1,566.2</b>	<b>255.9</b>	<b>1,822.1</b>

Source: U.S. Embassy/Islamabad

## High Impact, High Visibility Infrastructure Programs

Both USAID and the U.S. Department of Agriculture plan programs in this area.

USAID is designing programs that are expected to lead to five new awards (grants or contracts) in the infrastructure area, and it is in the process of negotiating three additional new awards. These new infrastructure programs will support the following activities:

- Water supply and sanitation.
- Tube well rehabilitation.
- High-efficiency irrigation systems.

- Surface-water management in Balochistan.
- Agricultural recovery program in Swat/Buner.
- Rehabilitation of three thermal electrical generation plants at Jamshorro, Muzafaraghar, and Gudu.
- Reform of the electricity distribution company.
- Road construction/rehabilitation in South Waziristan.

Illustrative performance indicators for these new programs will include:

- Capacity constructed or rehabilitated.
- Number of farmers, processors, and others who have adopted new technologies or management practices.
- Number of additional hectares under improved technologies or management practices.
- Number of agriculture-related firms benefiting directly from U.S. Government-supported interventions.
- Energy saved.
- Number of people with increased access to modern energy services.
- Kilometers of transportation infrastructure constructed or repaired.

The Department of Agriculture plans to make a \$30 million Food for Progress grant to a U.S.-based 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, where poor storage infrastructure is an important constraint to higher value added activities and access to urban markets. By linking private sector participants in the perishable goods value chain with new cold-chain facilities and enhanced production techniques, the project will improve food quality and supply, support higher farm gate prices for producers, and ensure a higher value end product to consumers. Implementation of international phytosanitary and regulatory standards will move current horticulture, fruit, and fish production in Balochistan toward larger, more profitable markets. USDA is in the process of negotiating this grant.



## Focused Humanitarian and Social Services: Immediate Post-Crisis and Humanitarian Assistance

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.

Twenty current USAID humanitarian assistance contracts and grants help respond to the effects of the 2005 earthquake in Northern Pakistan or assist internally displaced persons that have been affected by Pakistan's military offensive against insurgents in the FATA and the North-West Frontier Province (NWFP). These focus on health, education, and livelihoods and economic development. Current programs support the following interventions:

- Emergency food programs.
- Earthquake reconstruction.
- Primary health care services in earthquake-affected areas in Northern Pakistan.
- Assistance to internally displaced persons.
- Child health services in the FATA.
- Community rehabilitation infrastructure support (construction).
- Vocational education, scholarships, and infrastructure improvements at selected universities.
- Livelihood development in the FATA.
- Capacity building for government institutions and NGOs in the FATA.
- Support for the FATA Transition Initiative (cross sectoral support for projects such as irrigation and small potable water schemes, road repairs, repairs to public facilities, and media development activities and outreach efforts).
- Postconflict reconstruction of Malakand to improve health, education, and staff capacity.
- Cash Payments to very poor families through the Benazir Bhutto Income Support Program.
- Road and electricity infrastructure in South Waziristan.
- Support for a free media.

Illustrative performance indicators (with FY 2010 targets in parentheses) for these programs include:

- Reconstruction of health and educational facilities: new design starts (3), new construction starts (23), and buildings completed (23).
- Number of people trained in maternal or newborn health and nutrition (30) and child health and nutrition (150).
- Number of delivery points providing family planning assistance (70).
- Percentage of births attended by a doctor, nurse, or trained midwife (50).
- Number of deaths among children under age 5 per 1,000 live births (90).
- Number of teachers trained (1,450).
- Number of full-time equivalent jobs created (562).
- Number of new technologies or management practices made available for transfer (458).
- Number of additional hectares under improved technologies or management practices (50).
- Number of individuals receiving short-term agricultural sector productivity training (1,250).

As examples of the types of results achieved by these programs since October 2009, USAID/Pakistan reported the following:

- On March 4, 2010, USAID disbursed \$85 million to the Benazir Income Support Program to assist approximately 600,000 low-income Pakistani families. This program reaches millions of Pakistan's poorest families with cash income supplements equivalent to \$300 per year. The program contributes to gender equality in that payments are made to the senior female in each household. (Studies have shown women allocate more income to basic needs than do men.) In addition, the program advances inclusion of women by insisting that recipients have national identity cards. (At the beginning of the program, 8 million more married men than married women had identity cards.)
- USAID supports distribution of humanitarian assistance kits (containing mattresses, quilts, cooking equipment, etc.) and “non-food item” kits (containing hygiene, cooking, and other household items) in the FATA. For example, 2,000 non-food item kits were delivered on January 22, 2010, and 1,000 humanitarian assistance kits were delivered on February 16, 2010.
- The water system in the Lakki Frontier region in the FATA was rehabilitated by constructing surface tanks and a flood wall, along with 3,565 meters of distribution pipelines and rehabilitation of other associated infrastructure.

USAID is designing or negotiating programs that will lead to five new awards to support the following types of activities:

- Infrastructure and livelihood development in NWFP, FATA, and Balochistan.
- Postconflict reconstruction of Malakand.
- Road and electricity infrastructure in South Waziristan and Bajaur.
- Support for radio broadcasting.

Illustrative performance indicators for these new programs include the following:

- Number of beneficiaries assisted.
- Percentage of disaster-affected households provided with basic inputs for survival, recovery, or restoration of productive capacity.
- Percentage of assisted communities that have constructed/developed physical infrastructure to mitigate the effects of shocks.

While not part of the development assistance authorized under Title I of the Act, the Department of Defense manages humanitarian assistance training activities with the Pakistan military that involve food distribution and some minor medical support. During these training activities, food kits containing salt, flour, rice, tea, beans, and butter are distributed to families in the FATA. Funding for these activities in FY 2010 is expected to reach \$4 million.

## Oversight Results

During the period covered by this report—from the signing of the Enhanced Partnership with Pakistan Act on October 15, 2009 until March 31, 2010—the USAID OIG completed one performance audit report on humanitarian assistance activities. The USAID OIG conducted a performance audit of the Capacity Building for the Federally Administered Tribal Areas Development Program to determine whether the program is achieving its main goals of (1) improving the capacity of FATA governmental institutions to govern and (2) increasing the capacity of FATA NGOs to promote good governance.<sup>1</sup>

The auditors concluded that, although the program has provided training, taken initial steps to automate FATA institutions, and completed some media activities, little had yet been achieved in building the capacity of FATA governmental institutions and NGOs. Specific findings included the following:

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<sup>1</sup> “Audit of USAID/Pakistan’s Capacity Building Program for the Federally Administered Tribal Areas Development Program” (Audit Report No. 5-391-10-005-P dated January 28, 2010).

- Regarding the first main goal, little progress had been achieved to build the capacity of the FATA Secretariat and the FATA Development Authority, in part because the program got off to a slow start. During the first year, the contractor focused its resources on working out best approaches to designing and implementing activities, building up relationships with FATA institutions, and developing work plans. The deteriorating security situation in Peshawar also impeded progress. However, some progress was made in certain activities. For example, as of September 30, 2009, 74 training events had been completed for 1,224 FATA governmental staff members.
- Regarding the second main goal, the program did not increase the capacity of NGOs to promote good governance, although some progress was made. For example, the program had provided formal training classes and purchased office equipment for 42 NGOs working in FATA. However, FATA-based NGOs still lack skills, business practices, and financial resources needed so that the NGOs can serve as effective proponents for better governance.
- Because of a change in U.S. Government strategy, USAID/Pakistan began to rethink its approach of providing the bulk of its program assistance through U.S.-based implementers. As a result, in June 2009 the mission did not fund an incremental funding request of \$15.3 million and, 4 months later, approved only \$4.7 million in additional funds. In October 2009, the mission asked its contractor to consider preparing a 90-day demobilization plan. However, as of November 2009, no final decision had been made as to whether the contract would be terminated or, if terminated, who would replace the U.S.-based contractor.

The audit report recommended that USAID/Pakistan (1) communicate with its contractor and the host government about how the program will be implemented under the new strategy, (2) assign or transfer 400 computers and related equipment that were purchased under the program, (3) physically inventory 72 laptop computers that employees had taken home with them and issue bills of collection for any missing computers, and (4) accelerate implementation of a geographic information system that enables project information to be represented on maps and a database that will be used to help monitor development projects throughout their lifecycles. USAID/Pakistan has implemented the first recommendation and has made plans for implementing the remaining three recommendations.

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

Three U.S. Government departments and agencies manage education and health assistance programs. USAID has a number of current and planned programs directed toward increasing access to and quality of education and health services, and the Department of Agriculture plans two school feeding grants. The U.S. Embassy Public Affairs Office manages exchange and local English-language education programs that contribute to educational, professional, and leadership training objectives, while strengthening connections between the United States and Pakistan.

USAID is managing 19 current awards that aim to increase access to, and quality of, education and health services. The following activities are being supported:

- Maternal-child health services.
- Family planning services.
- Improved access to safe drinking water and hygiene education.
- Polio eradication.
- Tuberculosis control.
- Involvement of religious leaders in health and development activities.
- Teacher training and other education interventions at the primary, secondary, and tertiary levels.
- Merit- and needs-based scholarships.
- Capacity building for Pakistani institutions.

Illustrative performance indicators for current programs, with FY 2010 target levels of performance in parentheses, include the following:

- Number of women receiving active management of the third stage of labor (192,912).
- Number of postpartum/newborn visits within 3 days of birth (415,947) and antenatal care visits (1.1 million).
- Number of children under age 5 who received vitamin A (80,000).
- Number of cases of child pneumonia treated with antibiotics (50,000) and number of cases of child diarrhea treated (50,000).
- Family planning couple-years of protection provided (5 million).
- Number of delivery points that provide family planning counseling or services (8,084).
- Tuberculosis case detection rate (75 percent).
- Number of people in target areas with access to improved drinking water supply (1.1 million).

As examples of results achieved since October 2009, USAID/Pakistan reported the following:

- On February 18, 2010, 100 midwives graduated from a training program financed by USAID's Pakistan Initiative for Mothers and Newborns Project.

- USAID has financed ambulances and medical equipment for district governments in Charsadda, Swat, D.I. Khan, Buner, Mardan, Vehari, and elsewhere.
- On March 17, 2010, 27 USAID-funded students graduated from Pir Mahir Ali Shah Arid Agriculture University in Rawalpindi, a participating university in the Merit and Need-Based Scholarship Program. Since 2004, 118 scholarships have been awarded to students at the University.

USAID is designing health and education programs that are expected to lead to 17 new awards and is negotiating 2 additional new awards. These new programs are expected to support the following types of activities:

- Provincial government health programs in Sindh, Punjab, Balochistan, and NWFP.
- Support for health programs in the FATA.
- Water and sanitation programs in South Waziristan.
- Human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDs), hepatitis, and tuberculosis control.
- Support for universities and teaching hospitals.
- A demographic and health survey.
- Provincial education programs in Sindh, Punjab, and Balochistan.
- Educational television programming for children.
- School renovation and construction.
- Support for higher education.
- Support for Fulbright scholarships.

Performance indicators for these new programs are expected to include the following:

- Number of deaths among children under age 5 in a given year per 1,000 live births.
- Percentage of women of reproductive age using, or whose partner is using, a modern method of contraception.
- Cumulative number of HIV-positive individuals treated.

- Cumulative number of HIV infections prevented.
- Cumulative number of HIV-affected individuals cared for.
- Immunization rate.
- Public expenditure on health.
- Percentage of gross domestic product spent on health.
- Percentage of population using improved drinking water sources.
- Number of deaths among children under age five in a given year per 1,000 live births in that same year.
- Number of children born per woman.
- Percent of births attended by a doctor, nurse or trained midwife.
- Share of public expenditure devoted to education.
- Share of education funding to primary, secondary, and tertiary schools.
- Net enrollment rate for primary, secondary, and tertiary schools.
- Primary school completion rate.

The U.S. Department of Agriculture expects to make two school feeding grants totaling approximately \$15.8 million. Under these grants, the Department of Agriculture will supply an estimated 6,540 metric tons of food to feed schoolchildren and an estimated \$5.9 million in cash resources to implement school rehabilitation projects and implement school capacity-building measures.

The U.S. Embassy's Public Affairs Office reports that it is managing educational exchange and local English language programs valued at \$49.5 million. This includes \$30 million for education and training in the United States, ranging from short-term leadership and professional training to full academic degree programs. The Public Affairs office expects that 2,000 Pakistanis will participate in exchange programs over the next one and a half years, in addition to 5,000 Pakistanis attending local English language programs and 250 Pakistani teachers attending local teacher training programs. The \$19.5 million Fulbright program will provide additional graduate study opportunities for Pakistani students in the United States.

## Oversight Results

During the period covered by this report, the USAID OIG performed a desk review of one financial audit on education and health activities and transmitted the audit report to USAID for action. The financial audit covered \$1.9 million in USAID funds managed by Children's Global Network Pakistan.<sup>2</sup> The auditors concluded that, except for the effects of questioned costs of \$320,123, the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the cooperative agreement for the period audited. The questioned costs represented fringe benefits that were not in accordance with the grantee's policies, disbursements that lacked required approvals, and procurements that did not follow established procedures or lacked evidence of quotations. (The USAID OIG identified an additional \$15,049 in questioned costs, representing purchases that had not been properly advertised, that the auditors had inadvertently omitted from their report.) In their report on cost-sharing contributions, the auditors noted that actual contributions had fallen short of the required amount by \$32,383. Additionally, they found ineligible questioned costs totaling \$9,387. The auditors identified three material weaknesses in internal controls, and the USAID OIG identified one additional reportable internal control condition, all dealing with disbursement and purchasing procedures. Finally, the auditors identified seven material instances of noncompliance dealing with matters discussed above plus a lack of physical inventories and lack of USAID approval for the individual selected to fill the grantee's financial manager position.

## Government Capacity Improvement: Improved National and Local Governance

USAID, the U.S. Department of Agriculture, and the U.S. Embassy Public Affairs Office have current and planned programs to strengthen government capacity and improve governance.

USAID has five current awards that contribute to improved national and local governance, including parliamentary strengthening, elections support, support for decentralization of government responsibilities to districts and municipalities, and anticorruption initiatives. The following activities are supported:

- Election support.
- Decentralization initiatives.
- Parliamentary strengthening.
- Anti-corruption initiatives.

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<sup>2</sup> "Financial Audit of USAID Funds Managed by Children's Global Network Pakistan Limited, for the Year Ended June 30, 2008" (Audit Report No. 5-391-10-012-R dated December 22, 2009).



Illustrative performance indicators for these programs are shown below (with FY 2010 targets in parentheses):

- National legislators and staff trained (200).
- Executive oversight actions taken by the parliament (3,500).
- Civil society organizations participating in legislative proceedings or advocacy with the parliament (75).
- Public forums resulting in which national legislators and members of the public interact (5).
- Election officials trained (700).
- Sub-national government entities receiving assistance to increase their own revenues (13) or improve performance (40).
- Individuals who received training, including management skills and fiscal management, to strengthen local government and/or decentralization (1,500).
- Local mechanisms for citizens to engage subnational government entities (400).

As examples of the types of results achieved by USAID programs since October 2009, USAID/Pakistan reported the following:

- Two U.S. Federal judges were in Pakistan for several days in December 2009 as part of a judicial exchange to discuss expeditious handling of cases, corruption, and judicial independence and accountability.
- Under the Districts That Work Project, a provincial conference was held in Quetta in February 2010 to institutionalize management and accountability tools developed in partnership with 100 target district governments.

USAID is designing eight new programs and is in the process of negotiating three additional new programs to support the following governance activities:

- Election support.
- Support for women's human rights.
- Support for civil society organizations.
- Support for judicial training and the court system.

- Decentralization of government responsibilities to districts and municipalities.
- Parliamentary strengthening.

These new programs will contribute to many of the same performance indicators listed above in addition to the following new performance indicators:

- Draft laws accompanied by technical analysis and subject to review by legislative committees.
- Draft laws subject to final vote in new or transitional legislatures.
- Laws or amendments promoting decentralization.
- Courts with improved case management.
- Judges trained with U.S. Government assistance.

The Department of Agriculture manages three types of programs to build Pakistani institutional capacity in the agriculture sector:

- Endowments funded from the sale of commodities under the Food for Progress program are used to support agricultural research and development activities in accordance with Pakistan's long-term development goals and to promote scientific cooperation between Pakistan and U.S. agricultural scientists. According to the Department of Agriculture, endowments have been established with the Pakistan Agriculture Research Council (\$23 million), the Pakistan Science foundation (\$15 million), the University of Agriculture, Faisalabad (\$12 million), the Ministry of Agriculture/Economic Wing (\$3 million), the Peshawar Agriculture University (\$1 million), and the Peshawar Forestry Institute (\$1 million). The interest generated on these endowments, which is used for program purposes, reportedly totals about \$5 million per year.
- Technical assistance exchange programs are used to develop linkages between Pakistani scientists and their counterparts in the United States. During the Green Revolution, many Pakistani agricultural scientists were trained in the United States through funding provided by the U.S. Government under various initiatives. However, according to the Department of Agriculture, the current generation of Pakistani scientists has had few opportunities to develop similar linkages with American scientists, resulting in an overall decline in Pakistan's agricultural research system. The Department of Agriculture plans to expand the number and quality of exchanges between Pakistani and U.S. scientists to improve the capacity of Pakistan's agriculture research system.
- One of the outcomes of the May 2009 Afghanistan-Pakistan-United States Trilateral Summit meeting in Washington, DC was the establishment of a Trilateral Secretariat on Agriculture, under which three working groups were agreed upon: Food Security and Applied Research, Water Management,

and Trade Corridors. According to the Department of Agriculture, the Secretariat has met and is finalizing budgets and detailed action plans for the first phase of project implementation.

The Department of Agriculture also expects to receive \$20 million from USAID to implement an agricultural investment strategy that will build Pakistani Government capacity in the agriculture sector. It is envisioned that the USAID funding will help the Department of Agriculture partner with the Government of Pakistan's Ministry of Food and Agriculture and core agriculture institutions to increase agricultural productivity by building capacity to develop new technologies, improve management practices and institute policy measures that increase economic returns.

The U.S. Embassy Public Affairs Office has two programs planned or under consideration to help strengthen Pakistani Government capacity. The first, a planned \$7 million program to build two radio transmission towers, is expected to enable reception of Radio Pakistan throughout the FATA and NWFP. The second, still under discussion, would finance about \$10 million in information technology infrastructure to enable new electronic government services. The educational exchange programs managed by the Public Affairs Office are also intended to strengthen Pakistani Government capacity through academic and leadership training opportunities.

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

The Narcotics Affairs Section (NAS) at the U.S. Embassy in Islamabad, in coordination with other U.S. law enforcement agencies in Pakistan, manages five programs that support improved security and legal institutions:

- Counternarcotics and crop control.
- Border security.
- Roads and bridges in the FATA and NWFP.
- Police and prosecutor training.
- Support for the Ministry of Interior's Air Wing.

According to NAS, two letters of agreement with the Government of Pakistan have been signed in FY 2010, authorizing expenditure of \$87.5 million in U.S. Government assistance funds.

NAS plans to measure the success of these programs with a combination of lower-level performance indicators (that is, input and output indicators, such as amounts of funding provided or numbers of Pakistani officials trained) and higher-level performance indicators (that is, outcome indicators, such as reductions in the number of hectares of opium poppies grown in Pakistan). Progress reporting to date has been focused on input and output indicators. According to NAS:

- NAS procured \$5.6 million in equipment for the Elite NFWP Police, the Anti-Narcotics Force, Punjab Police, and the National Police Academy. The equipment included surveillance and communication equipment, protective vests, ballistic helmets, armored personnel carriers, vehicles, and mobile forensics labs.
- Fifteen small infrastructure works (e.g., wells, irrigation channels, and micro-power stations), 20 kilometers of road, and 30 police outposts were built in the FATA and NWFP.
- Twenty-five community mediators and 1,151 law enforcement officials attended NAS-sponsored training classes.

NAS reports that bureaucratic delays have slowed program implementation, and that security problems including targeting of police stations by extremists have limited the number of training venues that can be used for police and law enforcement training.

In addition to the programs sponsored by NAS, the U.S. Embassy Public Affairs Office manages exchange programs that include opportunities for Pakistani police, prosecutors, and lawyers to meet and work with counterparts in the United States.

## Oversight Results

During the period from October 15, 2009 through March 31, 2010, the Department of State OIG completed two performance audits covering counternarcotics programs. The first audit outlined below, while focused on Afghanistan, is included in this report because counternarcotics efforts in Afghanistan and Pakistan are closely intertwined as there is so much narcotics activity that crosses the border between the two countries.

**Status of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan, Performance Audit (Report No. MERO-A-10-02 dated December 2009).** The State OIG conducted this performance audit to assess U.S. efforts to plan and manage counternarcotics activities in Afghanistan, including an analysis of (1) U.S. obligations and expenditures, (2) results of assistance projects, (3) assistance coordination mechanisms and strategy, and (4) major obstacles that affect the achievement of U.S. goals.

In its performance audit, the State OIG found that the Department of State had not clarified an end state, engaged in long-term planning, or established performance measures for its counternarcotics programs in Afghanistan. The State OIG also found that the U.S. military has begun to engage more heavily in counternarcotics activities. This increased military involvement will decidedly affect the scale of the Department's counternarcotics programs as well as its overall role. Further, there is no agreement on appropriate roles for either civilian agencies or the U.S. military. The Department has also failed to plan for transitioning responsibility for counternarcotics programs to the Afghan Government, should funding not be sustainable at current levels. While some progress has been made in the fight against illicit narcotics in Afghanistan, successes are difficult to quantify. The State OIG also found that the Bureau of International Narcotics and Law Enforcement Affairs (INL) lacks in-country

monitoring of its seven counternarcotics contracts; examination of four contracts revealed some weaknesses in performance measurement and setting of unrealistic goals. Coordination among agencies involved in counternarcotics efforts is informal and depends on individuals. There is limited collaboration and information sharing between Embassy Kabul and Embassy Islamabad, and no significant cooperation between the embassies on critical issues.

The State OIG recommended that the Department: define an end state for counternarcotics programs in Afghanistan, with objectives, performance measures, and milestones; establish benchmarks to transition responsibilities for counternarcotics programs to the Afghan Government; communicate with provincial reconstruction teams and request reporting from the teams; develop a workforce plan to ensure that sufficient, experienced, and trained personnel are assigned as in-country contracting officer's representatives and direct-hire staff for the narcotics affairs section at Embassy Kabul; establish procedures to ensure that in-country contracting officer's representatives periodically assess contractor performance and its impact, and ensure that contractor files are properly maintained and accessible; make counternarcotics contracts more accurate and specific; reinstitute regularly scheduled coordination meetings; develop a workforce plan to ensure appropriate personnel are assigned to execute counternarcotics programs in the poppy-producing southern provinces.

**The Bureau of International Narcotics and Law Enforcement Affairs Air Wing Program in Afghanistan and Pakistan, Performance Audit (Report No. MERO-A-10-03 dated March 12, 2010).** The objectives of this performance audit were to determine: (1) whether the Department's counternarcotics Air Wing program achieved its objectives and the impediments to achieving objectives; (2) whether the Department is monitoring contractor(s) to ensure performance measures have been established and are being achieved; and (3) the effectiveness and efficiency of counternarcotics aviation services in Afghanistan and Pakistan and whether the costs incurred and charged by the contractor(s) are proper.

The Air Wing program in Afghanistan effectively provides aviation support for INL's counternarcotics efforts and other missions. To date, the contractor, DynCorp, has safely met its contracted air support requirements, has sustained the required aircraft readiness rate, uses appropriate maintenance and flight scheduling systems, and properly inventories U.S. Government-furnished equipment. The State OIG noted weaknesses in the INL Office of Aviation's (INL/A) contract and management oversight including lack of onsite verification of contract deliverables and cost reports. A contracting officer's representative (COR) from INL/A has never been to Afghanistan, and there are no plans to send one. The performance-based contract awarded in 2005 lacked specific performance requirements, and until 2009, DynCorp worked in Afghanistan under general and outdated requirements, hindering program efficiency. Additionally, a performance-based contract may not be the ideal vehicle to manage and oversee such a complex program. The State OIG believes the Department should consider modifying the DynCorp contract to better control costs and manage contractor performance.

In Pakistan, the Air Wing program has been generally effective in providing critical air support including a variety of missions for the Pakistan Government. However, DynCorp has had problems meeting flying hour goals. The State OIG was unable to determine whether the Pakistan Government is adhering to the terms of a letter of agreement regarding use of INL/A aircraft. The senior aviation advisor in

Pakistan reports directly to the INL/A COR in the United States on all contractual issues, but the COR has never been to Pakistan. This situation potentially weakens management and internal controls. OIG also learned that neither INL/A nor DynCorp knows who owns the Air Wing information system or its contents.

The State OIG recommended that Embassy Kabul and Embassy Islamabad assign U.S. Government direct-hire employees to supervise personal services contractors in Afghanistan and Pakistan. The State Department's Office of Acquisition Management, in consultation with INL, should develop a work breakdown structure for the Air Wing program in Afghanistan. INL should amend the Air Wing contract with DynCorp to clarify ownership of the Air Wing information system and ensure access rights to its data.

## Economic Growth

In addition to the program areas listed in the Pakistan assistance strategy report, USAID has a major focus on economic growth, and the U.S. Department of Commerce supports trade-related programs. USAID has nine current awards that fund assistance in trade, energy, and agriculture. The following activities are supported:

- Energy efficiency and energy capacity expansion.
- Job creation.
- Trade and competitiveness initiatives.
- Assistance to entrepreneurs and individual firms.
- Food security and agriculture programs.

Illustrative program performance indicators, with FY 2010 performance targets in parentheses, include the following:

- Government-private sector consultations undertaken (8).
- Trade or investment policy reforms implemented (1).
- Municipalities receiving assistance in regulatory or administrative simplification (15).
- Firms receiving to improve management practices (810).
- People gaining employment or better employment as a result of participation in U.S. Government-funded workforce development programs (8,258).

- Micro enterprises receiving business development services from (10,000).
- Micro enterprises receiving finance from microfinance or banking institutions (5,000).
- Number of energy policy reforms, procedures, or regulations drafted (10).
- Additional hectares under improved technologies or management practices (15,000).
- Individuals receiving short-term agricultural sector productivity training (360,000).

As examples of results achieved under current programs, USAID/Pakistan reported the following:

- USAID distributed \$12 million through a local bank to provide working capital grants of \$3,000 to \$5,000 to 2,611 business owners affected by rioting in Karachi, plus \$2 million in credit support.
- Generators and lights were provided for the Chaman border crossing with Afghanistan, improving security and permitting customs inspections to continue after dark.
- Improved wheat seed was distributed to 2,752 farmers in Balochistan.

In addition to programs managed by USAID in the economic growth area, the U.S. Department of Commerce received \$3 million in FY 2009 funding from USAID to implement trade and commercial law development programs. These programs are focused on trade and investment promotion, commercial law development, professional development activities, and workshops for a Generalized System of Preferences program. In the first quarter of FY 2010, an investment promotion mission led by the Deputy Chief of Mission and comprising eight Pakistani chief executive officers (CEOs) traveled to Houston and New York. According to the U.S. embassy's commercial attaché, the trade mission generated favorable publicity and stimulated useful exchanges. In general, according to the attaché, trade and investment initiatives are being met with enthusiasm by Pakistani private and public sector contacts. On the other hand, the administrative requirements associated with managing these programs are taxing, given current staffing, and security requirements (ensuring the safety of U.S. business persons visiting Pakistan and vetting Pakistani business persons nominated for training or invitational travel to the United States) present challenges as well.

## **Assistance to Pakistani Institutions**

The Paris Declaration on Aid Effectiveness, dated March 2, 2005, and the Accra Agenda for Action, dated September 4, 2008, encourage the use of host country financial and procurement systems, aiming to promote host country leadership and ownership of development programs. Section 101(c)(3) of the Enhanced Partnership with Pakistan Act of 2009 encourages the use, as appropriate, of Pakistani firms and NGOs, including through host country contracts, to implement the assistance programs authorized under Title I of the Act. In line with the principles articulated in these documents, the U.S. Government is transforming its business model to encourage Pakistani leadership of programs supported by U.S.

Government assistance, help the Government of Pakistan regain citizen confidence, and ensure that U.S. Government investments are effective. It is hoped that this approach will:

- Align programs with locally identified priorities.
- Build Pakistani “ownership” of programs.
- Help build Pakistani institutional and leadership capacity.
- Promote decentralization to more actively engage provincial and local partners and beneficiaries.
- Deliver assistance “on-budget” to promote transparency, harmonization, and better budget planning by the Government of Pakistan.
- Reduce costs.

USAID expects that future awards to U.S. prime contractors and grantees will be limited to those activities where both governments agree that (1) the technical or managerial capacity to achieve the desired results does not reside within Pakistan; (2) there is a need to respond to emergencies that demand immediate U.S. action (i.e., disaster assistance); or (3) there are extreme cost benefit factors. If transitioning from a U.S. partner to a Pakistani partner would result in serious disruptions in service delivery or compromise significant U.S. Government investments, USAID will consider extending U.S. contracts and grants as short-term bridges or longer if necessary. In addition, allowing activities to continue to completion may permit faster program implementation and help ensure a smooth transition to the new business model.

According to USAID, 14 percent of its partners as of March 31, 2010 were Pakistani institutions. USAID/Pakistan believes that the strategic shift toward more partnerships with the Government of Pakistan and Pakistani institutions has driven closer consultation to plan the direction of activities, the type of activities to be funded, and transparency initiatives. The agency reports that it has awarded \$200.5 million to Pakistani institutions as shown in Table 4.

**Table 4. Awards to Pakistani Institutions (Unaudited)**

<b>Instrument type</b>	<b>Value (\$ million)</b>
Budget support/cash transfer: assistance for NWFP internally displaced persons.	44
Budget support/cash transfer: Benazir Income Support Program.	85
Direct funding to the Government of Pakistan: Tarbela Dam rehabilitation.	16.5
Direct funding to provincial governments:	36



<b>Instrument type</b>	<b>Value (\$ million)</b>
Malakand post-conflict reconstruction.	
Funding to Pakistani NGOs: Bolton market response program.	13
Funding to Pakistani NGOs: South Waziristan monitoring and evaluation.	2
Funding to Pakistani NGOs: Malakand monitoring and evaluation.	2
Funding to Pakistani NGOs: Malakand financial and management services and capacity building—FATA Secretariat.	2
<b>Total</b>	<b>200.5</b>

USAID expects that, by the end of FY 2010, 23 percent of its partners will be Pakistani institutions.

The U.S. Department of Agriculture has established endowments with several Pakistani institutions, including Pakistani Government institutions, and it expects to use new funding to expand its partnership with the Government of Pakistan.

## **Risks, Implementation Problems, and Mitigation Strategies**

Through their planning efforts and experience to date, U.S. departments, agencies, and oversight organizations working in Pakistan have identified several risks that could endanger the U.S. Government’s assistance program in Pakistan.

One group of risks can be collectively referred to as “political risk.” The assistance strategy is premised on, and is intended to strengthen, commitment to civilian rule and unambiguous opposition to all terrorist groups operating in Pakistan. Any softening of support for these principles would endanger the assistance program and, by extension, endanger development of a strong long-term relationship between Pakistan and the United States. Another risk is that economic reform efforts could threaten entrenched interests and provoke a political reaction, even as reforms help transform Pakistan’s economy and build a broader and more sustainable basis for economic growth and poverty reduction.

Security risks are also extremely important. Travel in remote frontier areas is dangerous, and extremist groups have demonstrated significant capability to stage terror attacks even on well-protected targets in urban areas. These dangers are, in part, a manifestation of the limited capacity of Pakistani security institutions to fulfill their roles and responsibilities.

Plans to expand direct assistance to the Government of Pakistan while reducing the role of U.S.-based contractors and grantees will place heavy demands on Pakistani Government institutions. Direct assistance to the Government of Pakistan may take two forms: project assistance and budget support. For project assistance, U.S. Government assistance funds are normally segregated in separate bank

accounts, and the host government is required to keep books and records that show how assistance funds are spent. For budget support, U.S. assistance funds are comingled with other budgetary resources available to the host government, and it is not possible to provide an accounting of how U.S. assistance funds have been used.

Many of the U.S. Government's new partners—whether in the Government of Pakistan or in the local NGO community—will have management capacity issues that will require institutional strengthening and collaborative oversight for a good part of the strategy period. Especially problematic will be the diminished capacity of Pakistan's government structures and civil service to effectively absorb external resources, which will constrain the pace of implementation. According to USAID/Pakistan, this constraint will likely be felt most acutely in the FATA, NWFP, and Balochistan, where public and private sector capacity is less developed than elsewhere in Pakistan. Potential areas of institutional vulnerability include budget and procurement systems, internal control, accounting, and institutional policies.

In combination with serious security risks that limit direct monitoring by U.S. Government personnel, institutional capacity issues create a significant risk of loss of U.S. Government funds to waste or theft. However, the U.S. Government has made the judgment that it must expand its engagement with Pakistani institutions now, rather than conditioning its engagement on improved administration and governance.

Limited institutional capacity has already adversely affected program implementation, according to the U.S. departments and agencies working in Pakistan. For example, USAID/Pakistan reports that budget support for assistance to internally displaced persons and the Benazir Income Support Program, as well as planned budget support for the Higher Education Commission, has been slowed by Pakistani Government bureaucratic delays. These delays involve inability by Pakistani partners to meet USAID's conditions precedent to disbursement and to align their budgets with the influx of new funding. These delays work against the purpose of emergency budget support and jeopardize subsequent budget support payments. USAID also reports that the Government of Pakistan has had cash flow problems that make it hard to use the fixed-amount reimbursement method to disburse funds for construction work under host country contracts. NAS also reports that bureaucratic delays (e.g., delays in signing letters of agreement, clearing police equipment through customs, and issuing visas for expatriate instructors) have slowed the pace of program implementation. For example, 3,320 protective vests have been awaiting customs clearance at the airport in Islamabad since late December 2009, and a letter of agreement that would provide \$40 million in funding for road construction has been awaiting signature since October 2009.

To limit the impact of institutional weaknesses on program implementation, the U.S. departments and agencies in Pakistan are providing institutional strengthening assistance. To assess the need for such assistance, USAID has initiated the prequalification of Pakistani Government entities and NGOs through preaward surveys of their internal controls and administrative and financial management systems. USAID is moving to complete preaward surveys for a priority list of nearly 70 potential Pakistani implementing partners. Of course, the time required to conduct these surveys can itself contribute to delays in beginning program implementation but, as of March 31, 2010, USAID/Pakistan reports that it has completed 12 preaward surveys.

In parallel, USAID has begun to define a process that technical offices can use to expedite planning and negotiations with the Pakistani Government at the federal and provincial levels. This process is taking place concurrently with efforts to develop agreements, contracts, and grants required to implement USAID assistance programs through Pakistani entities. The objective is for the U.S. and Pakistani Governments to be ready to sign agreements when the preaward assessments and remedial actions are complete, subject to the programs being approved.

USAID's own internal policies and procedures also provide for ongoing monitoring of program implementation through meetings with partners and beneficiaries, review of programmatic and financial reporting, physical observation of program implementation (whether by USAID officials, public accounting firms, engineering firms, or other proxies), and review of payment requests, and periodic audits and evaluations.

The oversight organizations involved in monitoring assistance programs in Pakistan have also taken steps to ensure that U.S. Government funds are protected against waste and theft. These steps include:

- Establishing field offices in Pakistan for the OIGs of the Department of State and USAID.
- Expanding the use of independent Pakistani public accounting firms to conduct financial audits of funds provided to Pakistani NGOs.
- Providing training to Pakistani public accounting firms and to the Office of the Auditor General on standards and requirements applicable to financial audits of U.S. Government funds.
- Helping the Office of the Auditor General to conduct financial audits of funds provided to Pakistani Government entities.
- Establishing a working relationship with the National Accountability Board (NAB) and conducting joint investigations with NAB.
- Collaborating with USAID/Pakistan to establish a fraud hotline in Pakistan. The hotline will be operated by a USAID partner with close involvement by the USAID OIG.
- Providing fraud awareness briefings and expanding investigatory coverage.
- Coordinating audits and investigations by the OIGs and GAO.

## Staffing

To undertake the design, negotiation, and program management and monitoring tasks outlined above, U.S. Government departments and agencies in Pakistan are expanding staffing levels.

Staffing information provided by USAID indicates that it had 33 U.S. direct hire staff and 118 other staff members on board as of March 15, 2010. Additional information on USAID staffing levels is presented in Table 5.

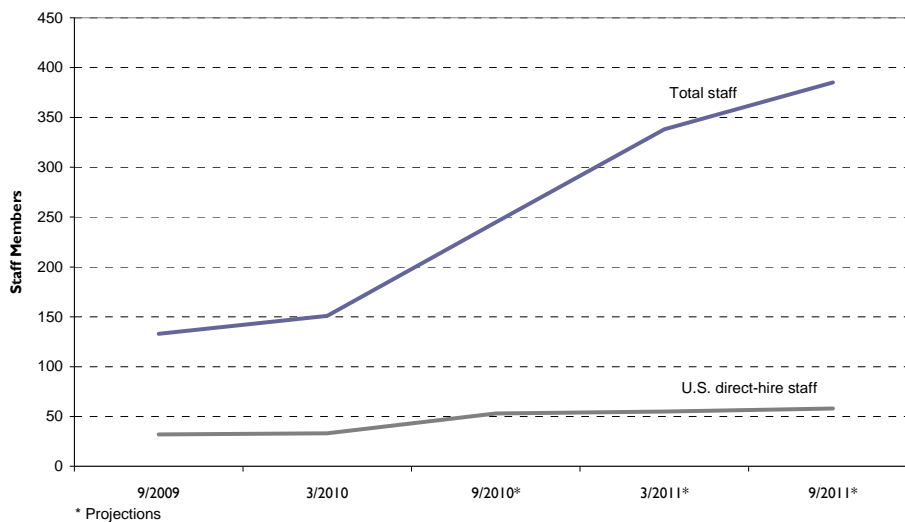
**Table 5. USAID Staffing in Pakistan as of March 15, 2010 (Unaudited)**

Category	Islamabad	Peshawar Staff in Islamabad	Peshawar	Lahore	Karachi	Total
U.S. direct hire	31	1	1	–	–	33
U.S. staff from other departments and agencies	2	–	–	–	–	2
U.S. personal services contractors	13	4	–	–	–	17
Third-country nationals	6	1	–	–	–	7
Foreign service nationals (Pakistani staff)	73	–	14	3	–	90
Eligible family members	1	–	–	–	1	2
Total	126	6	15	3	1	151

Source: USAID/Pakistan.

By the end of FY 2010, USAID is expected to have 245 staff on board, including 53 U.S. direct hire staff (see Figure 3).

**Figure 3. Actual and Projected Staffing Levels in Pakistan for USAID**



Source: USAID/Pakistan

The U.S. Embassy Narcotics Affairs section reports that it had 108 staff and contractors on board as of March 31, 2010, including 3 U.S. direct staff. The U.S. Embassy Public Affairs Office reports that it had 63 staff on board as of that date, including 10 U.S. direct hire staff.

# Oversight Status

## USAID Office of Inspector General

The USAID OIG provides oversight for foreign assistance program administered by USAID, the United States African Development Foundation, the Inter-American Foundation, and the Millennium Challenge Corporation.

The 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 spectrum of USAID programs in Pakistan, covering such areas as relief and stabilization, reconstruction, sustainable development, education, and health care. The USAID OIG's oversight activities include performance audits, financial audits, and investigations:

- **Performance Audits.** The USAID OIG's performance audit work is primarily directed toward determining whether USAID programs are achieving planned objectives and examining how well USAID is carrying out its managerial functions.
- **Financial Audits.** U.S.-based contractors and grantees undergo organization-wide audits in accordance with the Federal Acquisition Regulation, the Single Audit Act, and Office of Management and Budget Circular A-133. For grantees, the audits are performed by public accounting firms, and for contractors that do a predominant share of their Federal business with USAID, the audits are normally performed by the Defense Contract Audit Agency under a reimbursable arrangement with USAID. USAID has extended similar requirements to foreign-based entities, including foreign governments. Foreign-based entities must have annual audits that include an auditor's opinion on a financial statement that shows the uses of funds under each USAID contract or grant, a report on internal controls, a report on compliance with contract or agreement provisions and applicable laws and regulations, and a review report on cost sharing contributions if cost sharing is required. These audits are performed by public accounting firms or supreme audit institutions—like Pakistan's Office of the Auditor General—that are vetted by the USAID OIG. In all cases, the USAID OIG is ultimately responsible for the quality of the audits. The USAID OIG reviews the audit reports and transmits them to USAID management with appropriate recommendations for corrective actions, and as appropriate the USAID OIG also attends audit entrance and exit briefings, reviews audit programs, and visits the auditors to examine the work performed and evaluate the evidence supporting the auditors' conclusions and opinions.
- **Investigations.** The USAID OIG's special agents conduct investigations into possible violations of Federal laws, rules, and regulations. When agents conclude that a criminal or civil statute has been violated, the OIG consults with the Department of Justice to determine its interest in pursuing the matter. Investigative findings may also be referred to USAID management for administrative action.

## Final Audit Reports

From the passage of the Enhanced Partnership with Pakistan Act on October 15, 2009 until March 31, 2010, the USAID OIG completed one performance audit report and reviewed one financial audit report:

- **Audit of USAID/Pakistan’s Capacity Building for the Federally Administered Tribal Areas Development Program (Audit Report No. 5-391-10-005-P dated January 28, 2010).** The results of this audit are discussed on page 15.
- **Financial Audit of USAID Funds Managed by Children’s Global Network Pakistan Limited, for the Year Ended June 30, 2008 (Audit Report No. 5-391-10-012-R dated December 22, 2009).** The results of this audit are discussed on page 20.

## Investigations Results

During the period covered by this report, the USAID OIG made one criminal referral to the U.S. Department of Justice concerning evidence of illegal acts by employees of a USAID contractor and subcontractor.

## Oversight Activities Underway

As of March 31, 2010, the USAID OIG had three performance audits in process:

- **Audit of USAID/Pakistan’s Primary Healthcare Revitalization, Integration, and Decentralization in Earthquake-Affected (PRIDE) Areas.** This project was designed to improve primary health care services for the earthquake-affected populations in the Bagh and Mansehra Districts of northern Pakistan. It has three main goals: (1) improving the performance of public health services and management systems, (2) improving access to and quality of primary healthcare services, and (3) promoting healthier behaviors and institutionalizing community participation in health services. This audit focuses on the project’s performance in achieving the second goal of improving access to and quality of healthcare services at primary health care facilities.
- **Review of USAID’s Internally Displaced Persons Program in Pakistan.** The objective of this review is to determine the status of USAID’s Internally Displaced Persons (IDP) activities in Pakistan. USAID OIG is conducting this review in conjunction with the Department of State OIG’s review of the Department of State’s internally displaced persons program implemented by the Office of the United Nations High Commissioner for Refugees.
- **Audit of USAID/Pakistan’s Family Advancement for Life and Health Program.** In June 2007, USAID/Pakistan launched the 5-year, \$60 million Family Advancement for Life and Health 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 method use, the project 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 is effectively providing access to family planning information and services.

In addition to these audit assignments, the USAID OIG has five open investigations cases for Pakistan. OIG received credible allegations of fraud, corruption, or theft related to several USAID-funded humanitarian assistance and infrastructure projects being implemented in the FATA and NWFP. Several ongoing investigations are focused on allegations that commodities were purchased for inflated prices or from non-existent vendors or that key personnel managing the subcontracting processes associated with these projects solicited or received kickbacks from sub-contractors.

Two other noteworthy investigative initiatives are underway:

- **Collaboration with Pakistani National Accountability Bureau.** In early 2010, the USAID OIG established a working relationship with the National Accountability Bureau (NAB), the law enforcement agency in Pakistan primarily responsible for investigating white collar crime and public corruption. The NAB is the only Pakistani law enforcement agency authorized to conduct such investigations in the FATA, where USAID has a significant investment. The USAID OIG held a series of meetings with NAB senior leadership in Islamabad as well as investigative personnel in Peshawar, NWFP. As a result of the meetings, the USAID OIG and NAB developed a working agreement on how to handle joint investigations of allegations of fraud and corruption involving USAID projects in Pakistan. The USAID OIG and NAB are conducting several joint investigations and continue to develop their working relationship.
- **Pakistan Fraud Hotline.** The USAID OIG is working closely with USAID/Pakistan to establish a Pakistan-specific fraud hotline to be managed by a USAID implementing partner with training and oversight from the OIG. The USAID OIG and the USAID mission are working together to develop the requirements for the contract. The implementing partner selected for the project will be responsible for developing, advertising, and managing a fraud hotline that will be capable of receiving allegations in English, Urdu, Pashto, and other Pakistani languages. The OIG will work with the implementing partner to screen incoming allegations and ensure that they are either investigated or referred to the proper authorities in Pakistan. The hotline will provide the capability to report allegations by phone, email, fax, Web-based interface, and postal mail. The OIG will help the implementing partner design the hotline, provide training to hotline personnel, collect statistical data for regular reporting requirements, review incoming hotline allegations weekly, serve as a liaison with Pakistani law enforcement when allegations must be referred outside of U.S. Government channels, and assist the USAID mission in evaluating the work being done.

### Planned Oversight

During the remainder of FY 2010, the USAID OIG expects to perform four additional performance audits:



- Audit of USAID/Pakistan’s Links to Learning: Education Support to Pakistan Program.** USAID/Pakistan is investing \$170 million to fundamentally reform and revitalize basic education across Pakistan. On October 19, 2007, USAID/Pakistan awarded an \$89.9 million cooperative agreement to American Institutes for Research to support basic education reform at the middle and secondary school system levels in Pakistan. The program seeks to improve teacher education and professional development, student learning, and the learning environment. Other goals are to improve governance and strengthen public sector capacity at the federal, provincial, and district levels to sustain quality teaching and learning. The performance audit will determine whether USAID/Pakistan’s Links to Learning: Education Support to Pakistan Program is achieving its main goals.
- 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 pre-service 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.
- Audit of USAID/Pakistan’s FATA Livelihood Development Program—Implemented by the Academy for Educational Development.** The FATA region 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 compared with 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. USAID/Pakistan intends to provide up to \$150 million over 5 years to the Academy for Educational Development to achieve these objectives. 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 the Cooperative Housing Foundation.** This audit will be similar to the preceding one except that it will cover the portion of the program that is implemented by the Cooperative Housing Foundation.

In addition to these performance audits, the USAID OIG expects to perform desk reviews, quality control reviews, or other quality control procedures for financial audits of 31 U.S.-based contractors

and grantees implementing programs in Pakistan, as well as for 15 financial audits of grantees based in Pakistan.

## Department of State Office of Inspector General

### Final Audits

During the period from October 15, 2009 through March 31, 2010, the Department of State OIG completed two performance audits:

- **Status of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan, Performance Audit, (Report No. MERO-A-10-02 dated November 18, 2009).** The results of this audit are discussed on page 24.
- **The Bureau of International Narcotics and Law Enforcement Affairs Air Wing Program in Afghanistan and Pakistan, Performance Audit, (Report No. MERO-A-10-03 dated March 12, 2010).** The results of this audit are discussed on page 25.

### Oversight Activities Underway

The State Department OIG has one audit and one inspection engagement underway:

- **Review of Pakistan Internally Displaced Persons (Performance Audit).** Purpose: To determine whether (1) U.S. Government and international organizations have effectively met the protection, food, and other assistance needs of Pakistan's IDP populations, (2) whether the U.S. government has a coordinated and effectively managed program to protect and assist these persons, and (3) account for the flow and use of funds provided to assist the Pakistan IDP populations. This audit is in the field work stage.
- **Inspection of Embassy Islamabad (Pakistan).** Purpose: To 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 the draft report stage.

In addition to these two assignments, the Office of Investigations has two open cases for Pakistan.

### Planned Oversight

During the remainder of FY 2010, the State OIG expects to undertake three additional performance audits or evaluations:

- **Review of Emergency Action Plan (EAP) of Embassies Baghdad, Kabul, and Islamabad (Program Evaluation).** Purpose: To evaluate and assess the current status and effectiveness of emergency action plans for Embassies Baghdad, Kabul, and Islamabad to determine the reasonableness and their level of coordination and cooperation with the military commanders in-country.

- **Review of Local Security Guard Program—Embassy Islamabad (Performance Audit).** Purpose: To provide an overall review and summary of the requirements and provisions of the Islamabad Embassy Security Force contract; objectives of the contracts and task orders, what indicators have been established to measure performance; and how the Department administered the contract to oversee the contractor’s performance and costs of the contract. Assess the status of contract records, management controls, cost, and value of this contract to the mission of the US Department of State.
- **Review of Internal Management Controls of Funds Provided to Pakistan (Performance Audit).** Purpose: To determine whether specific internal control procedures have been properly designed and put in place for the Pakistan program funds to include procedures for planning, organizing, directing, and controlling program operations, and the system put in place for measuring, reporting, and monitoring program performance.

## Department of Defense Office of Inspector General

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

- **Pakistan Security Assistance and Coalition Support Funds.** Objective: In general, this project will assess whether security assistance and support funds are effectively managed. 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. Work completed by GAO is usually at the behest of Congress. GAO can also be required to research issues mandated by public laws, or may undertake work based on 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 the USAID OIG and focuses on oversight of U.S. programs in those two countries.

### Work Completed Since October 15, 2009

GAO has not published any work on Pakistan since October 15, 2009. However, since 2008, GAO has issued seven products concerning Pakistan. In 2009, GAO testified on oversight of U.S. efforts in Pakistan, how GAO coordinates its efforts with colleagues in the accountability community, and the challenges that GAO faces in carrying out oversight. GAO also issued a report on securing, stabilizing, and developing Pakistan’s border area with Afghanistan as part of its efforts to assist the new Congress

and highlight major government challenges. Both of these products drew heavily upon GAO's past and ongoing work in Pakistan. In 2008, GAO issued three products and testified twice before Congress about several aspects of U.S. efforts to combat terrorism in Pakistan's Federally Administered Tribal Areas (FATA).

GAO has made recommendations to the National Security Advisor and the Director of the National Counterterrorism Center relating to the development of a comprehensive plan to combat the terrorist threat in the FATA, which remain outstanding. Additionally GAO has made recommendations to the Department of Defense to improve accountability and oversight of coalition support fund reimbursements to Pakistan. The Department of Defense, in implementing GAO's recommendations, developed additional guidance and enhanced the application of existing guidance to increase the accountability of these funds.

### Work Underway for FY 2010

GAO has three ongoing engagements addressing programs in Pakistan:

**U.S. Development Efforts in Pakistan's FATA.** This engagement is assessing (a) the extent to which U.S. development objectives align with national security goals and Pakistan's objectives, (b) U.S. efforts to track the pledge, (c) U.S. efforts to measure performance of programs in the FATA, and (d) efforts to monitor activities in the FATA. Expected completion—April 2010.

**Security Environment in Afghanistan and Pakistan.** This engagement is assessing (a) the security situation and U.S. stabilization efforts in Afghanistan and (b) the security situation and U.S. stabilization efforts in Pakistan. Expected completion—April 2010.

**U.S. Security Assistance to Pakistan.** This engagement is assessing (a) U.S. plans and funding for improving the counterterrorism and counterinsurgency capabilities of Pakistani forces operating in the Western Frontier, (b) the status of specific projects and activities and the challenges associated with implementing those efforts, and (c) the extent to which the Departments of Defense and State's monitoring and oversight of U.S.-funded activities provide reasonable assurance that funds are used and activities are implemented as intended. Expected completion—July 2010.

### Work Planned for the Remainder of FY 2010

In response to the Enhanced Partnership with Pakistan Act of 2009 (P.L. 111-73, Sec. 302), GAO will be working on two Congressional Mandates during FY 2010. Specifically, GAO is tasked to assess and report to congressional committees about the following executive branch reports to Congress:

- 1) The Pakistan Assistance Strategy Report, which is intended to describe U.S. policy and strategy for U.S. democratic, economic, and development assistance to Pakistan authorized by Title I of the Act (\$1.5 billion for 5 years, \$7.5 billion total). GAO is tasked to comment on the strategy, make recommendations to improve the efficiency and effectiveness of U.S. efforts, describe Pakistan's expenditures under the Foreign Military Financing program, and assess the impact of U.S. assistance

on the security and stability of Pakistan. The Secretary of State sent the report to the Congress in mid-December 2009; GAO's report is due no later than 1 year after the report is submitted. Expected completion—to be determined.

- 2) The President's annual certification for FYs 2011 through 2014 that Pakistan is cooperating with U.S. nonproliferation efforts, combating terrorism and certain terrorist groups, and strengthening counterterrorism and anti-money laundering laws; and also that the Pakistani military is not materially or substantially subverting Pakistan's political or judicial processes. However, although the Act requires that the certification be completed for each fiscal year before the executive branch can provide security assistance to Pakistan, the Act does not establish a due date. GAO's reports are due no later than 120 days after the President's certification is sent to the Congress. Expected completion—to be determined.

GAO may begin additional work on Pakistan based on congressional interest, which GAO will report on in subsequent reports.