OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/PAKISTAN'S POLITICAL PARTY DEVELOPMENT PROGRAM

AUDIT REPORT NO. G-391-16-001-P
OCTOBER 26, 2015

ISLAMABAD, PAKISTAN

Office of Inspector General

October 26, 2015

MEMORANDUM

TO: USAID/Pakistan Mission Director, John Groarke

FROM: Office of Inspector General/Pakistan Director, Van Nguyen /s/

SUBJECT: Audit of USAID/Pakistan's Political Party Development Program
              (Report No. G-391-16-001-P)

This memorandum transmits our final report on the subject audit. In finalizing the audit report, we considered your comments on the draft and included them in their entirety, excluding attachments, in Appendix II.

The audit report contains 14 recommendations to assist the mission in improving various aspects of the program and recovering as appropriate, ineligible questioned costs of $138,375. After reviewing information provided in response to the draft report, we acknowledge that the mission has made management decisions on Recommendations 1, 8, 12, and 14, and taken final action on Recommendations 2, 3, 4, 5, 6, 7, 9, 11, and 13. Recommendation 10 remains without a management decision. Please provide evidence of final action on the open recommendations to the Audit Performance and Compliance Division.

Thank you for the cooperation and assistance extended to the audit team during this audit.

CONTENTS

Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
AOR	agreement officer's representative
CSO	civil society organization
NDI	National Democratic Institute
IRI	International Republican Institute
IPOR	Institute for Public Opinion Research
OIG	Office of Inspector General
SPO	Strengthening Participatory Organization

SUMMARY OF RESULTS

Political parties play a central role in democratic societies but have not been effective in Pakistan. Pakistanis distrust most parties, which they believe lack democratically developed policies and are driven by the personal interests of an out-of-touch leadership.

To help Pakistan's political parties become more effective and responsive to local concerns, USAID/Pakistan awarded a 5-year, $21.5 million cooperative agreement on July 14, 2011, to the National Democratic Institute (NDI) to implement the Political Party Development Program. NDI awarded subagreements to the U.S.-based International Republican Institute (IRI) and to a Pakistani organization, Strengthening Participatory Organization (SPO). IRI, in turn, made an award to the Institute for Public Opinion Research (IPOR), also Pakistani. As of September 2014, USAID/Pakistan had obligated $14.6 million and disbursed $10.9 million for the program.

The program provides opportunities for the parties' grassroots members to participate in shaping parties' strategies. The program has the following objectives:
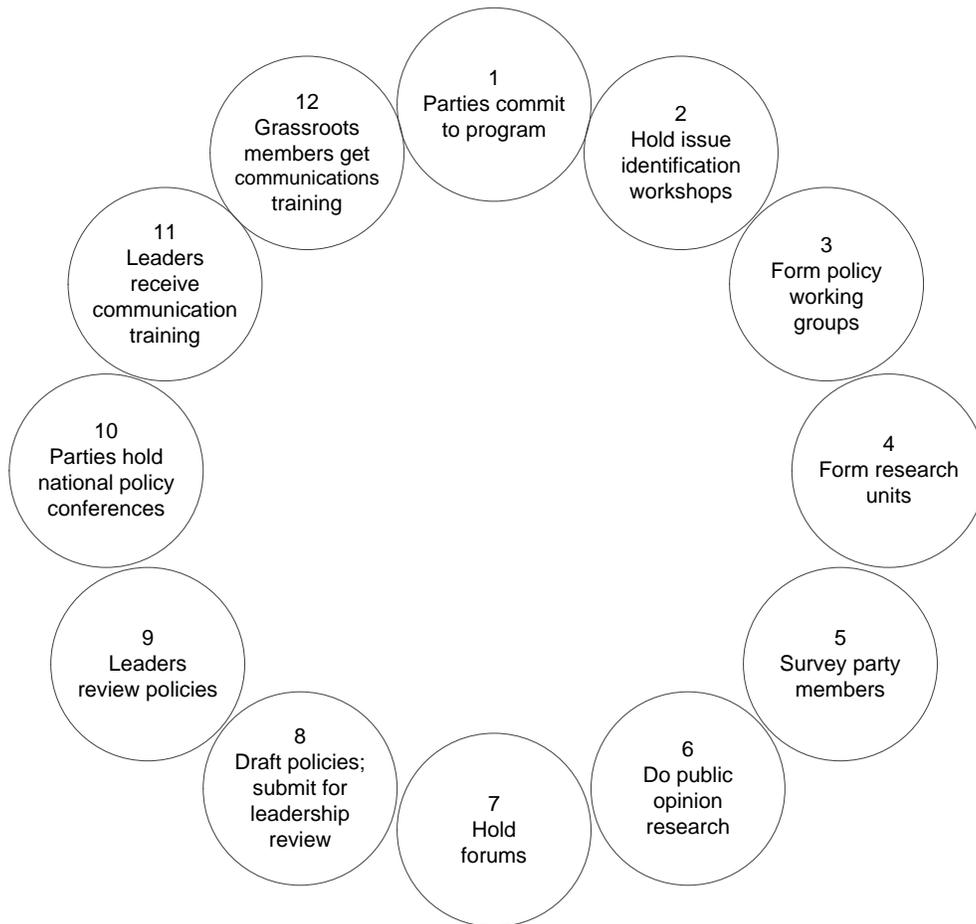
1. Parties conduct their own research, analysis, and training for the formulation of increasingly responsive and informed platforms and policies; and parties contribute more actively and effectively to the policy making of government institutions such as legislatures and commissions.

2. Parties communicate more effectively with their members, constituents, and the general public at the national and local levels, both in terms of articulating messages and aggregating and responding to concerns, requests, and ideas.

3. Parties demonstrate movement toward implementing internationally recognized standards for internal democracy and transparency.

4. IPOR operates as an independent opinion research facility that adheres to international research standards.

5. Parties strengthen democratic political party practices through effective multiparty participation in Pakistan's electoral process.[1]

To achieve these objectives, NDI designed the policy development cycle, a bottom-up approach to policy development (Figure 1). It involves party members from the grassroots up to leadership positions in policy development and aims to increase research capacity. Each step in the cycle builds on the previous one and advances one or more of the five program objectives.

NDI planned that participating parties would go through the cycle twice. The first cycle, started in July 2011 and expected to finish before the 2013 elections, would focus on the development of policy platforms for the elections; the second cycle would focus on drafting legislation.

---

[1] Objective 5 was added in the second year of the program to provide electoral assistance to political parties for 2013 elections.

Figure 1. Policy Development Cycle

Source: OIG, based on information obtained from NDI.

Two other activities supplement the cycle—a training fellowship program and multiparty and single-party round tables. The training fellowship program is built on the train-the-trainer model and covers areas such as adult training techniques, communications, and leadership. The round tables are designed to help parties move toward implementing international standards for internal party democracy and transparency.

USAID's Office of Inspector General (OIG)/Pakistan conducted this audit to determine whether the program enhanced the responsiveness of political parties to local concerns, as planned. The audit found that although the program took steps to do so, program activities largely stalled, and it was doubtful the program would achieve its objectives based on its progress at the midpoint.

The program operates in a challenging political and security context. Power struggles persisted between government branches during the 2013 elections. Terrorism escalated and targeted politicians in the country. During the first 6 months of 2013, violence in Karachi resulted in the killing of 1,726 people, including 178 political activists, according to the Human Rights Commission of Pakistan. Still, as of December 31, 2013, the program had achievements including the following:

- Involving 11 of 12 selected political parties in various activities by the end of the second year of the program. All of the participating parties took part in the training fellowship program and election activities.

- Training 94 master trainers from 11 parties through the training fellowship program. The graduates showed eagerness to continue enhancing their parties' internal training capacity.

- Training 475 poll watchers and holding three round table discussions on electoral issues to help parties with the 2013 elections. The discussions resulted in recommendations to the Election Commission of Pakistan to enhance the integrity of the 2013 electoral process.

- Facilitating the participation of women and youths (ages 18 to 35) at the grassroots level in various activities. Women made up half the members of the policy working groups, and youths accounted for 41 percent.

Despite these achievements, the following problems significantly hindered the program's progress:

- Implementation of the first cycle was problematic (page 7). The parties did not establish enough research units and policy working groups, research had limited impact on policy development, and only five parties held national conferences to debate draft policies.

- Parties did not adopt standards for internal democracy and transparency (page 10). NDI did not get written commitment from the party leaders at the outset of the program and did not receive agreement from leaders when it came to reviewing their bylaws.

- IRI did not prepare a Pakistani research entity to be independent as planned (page 10). IPOR made some progress but was slow in producing an employee handbook, an organizational chart, and a business plan; did not demonstrate an ability to analyze survey data independently; and remained highly dependent on USAID funds. Staffing challenges due to difficulties in obtaining visas and the inability of IPOR's executive director to recruit and delegate contributed to the slow progress.

- NDI did not effectively manage its award to SPO (page 12). NDI sidelined SPO early, after poor performance at organizing forums for civil society organizations (CSOs) and political parties. Still, NDI continued paying SPO for full performance. This resulted in ineligible questioned costs amounting to $138,375.

- Mission did not do effective monitoring (page 13). The mission said it conducted site visits but could not provide documentation showing that it had.

- NDI did not ensure the accuracy of performance data (page 14). Program data were not collected and processed in a consistent manner and included errors because of weak controls.

- Mission did not invest resources wisely on election activities (page 14). Through a late modification to the agreement, the mission tasked NDI with training poll watchers. NDI met its goal for training master trainers as required; however the master trainers had no time to train others as intended before the 2013 elections.

In another matter, NDI did not ensure compliance with federal financial audit requirements (page 16). It did not advise IRI that federal regulations required IPOR to undergo a financial audit; consequently the audit was not done.

To improve delivery of the assistance efforts, OIG/Pakistan recommends that USAID/Pakistan take the following actions:

1. With NDI, reassess and document whether program activities remain viable given the security and political realities in Pakistan, and modify the agreement and work plans to update program activities, deliverables, and funding accordingly (page 9).

2. With NDI, implement a recruitment plan to fill vacant positions and maintain a staffing level commensurate with the program's planned results (page 9).

3. With NDI, set written criteria for selecting subject matter experts and briefing them on issues of concern to the parties before holding discussion forums, and develop a written strategy to facilitate follow-up meetings between subject matter experts and members of policy working groups to discuss policy interventions as needed (page 9).

4. With NDI, identify and document the skills and experience necessary for members of research units and policy working groups; the relevant selection standards; and the procedures political parties will use to identify, select, and recruit qualified participants (page 9).

5. With NDI, implement a written plan to facilitate coordination between research units and policy working groups and share event schedules with them well in advance (page 10).

6. With NDI, implement a plan to obtain leadership commitment from each participating political party, clarify expectations and responsibilities, and focus the program on parties that are fully committed (page 10).

7. With NDI and IRI, determine and document whether to continue program support and activities for IPOR or to put the remaining funds to better use (page 11).

8. With NDI and IRI, implement a corrective action plan to address the slow progress in providing capacity building to IPOR, if the mission decides to continue supporting it (page 12).

9. Require NDI to reassess and document the capabilities of SPO and determine how to effectively involve it in the program (page 13).

10. Determine the allowability of, and recover from NDI as appropriate, ineligible questioned costs of $138,375 (page 13).

11. Develop a plan to conduct frequent site visits or devise alternatives to provide adequate oversight of the program if site visits are not possible, and document the results (page 13).

12. Work with NDI to develop an action plan to strengthen controls over performance data collection and reporting, including supervisory review of the data before submission to USAID/Pakistan (page 14).

13. Require NDI to have IPOR undergo an audit of fiscal year 2013 expenditures in compliance with the Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients* (page 16).

14. Require NDI to modify agreements with IRI and IPOR to include the standard audit provision (page 17).

Detailed findings appear in the following section. Appendix I contains information on the scope and methodology, and management comments appear in Appendix II. Our evaluation of management comments is on page 18.
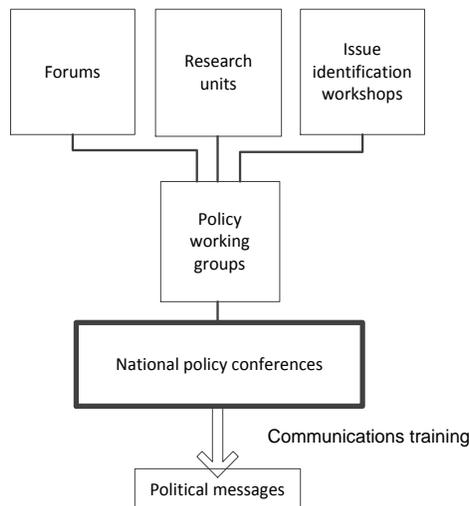
AUDIT FINDINGS

Implementation of the First Cycle Was Problematic

As specified in the cooperative agreement, NDI planned to guide the 12 main parties through the policy development cycle. Participating parties were to go through the cycle twice during the 5-year program, the first time developing platforms in preparation for the 2013 elections.

After each party's leaders appointed a program liaison, the cycle began. Party leaders selected grassroots members (provincial party activists) who would attend workshops for identifying priority issues. Leaders also selected members to form research units and policy working groups. NDI held forums for CSOs and party participants from the four provinces—Balochistan, Khyber Pakhtunkhwa, Punjab, and Sindh—during which experts were invited to speak about issues important to participants. SPO was also supposed to facilitate follow-up meetings between working groups that asked for them and forum experts. All these activities would, as shown in Figure 2, help working groups shape policy proposals they could present at national policy conferences. After the conferences, party members were to receive communications training to help them turn the policies into messages they could disseminate within their parties and to the public.

Figure 2. Intended Flow of Inputs to Message Development

Source: OIG, based on information obtained from NDI.

However, implementation of the first cycle was problematic.

Parties Did Not Establish Enough Research Units and Working Groups. During the first cycle, the 12 targeted parties were to form 27 research units and 27 working groups based on provincial representation. Only eight of the parties formed groups, resulting in only 12 research units and 13 working groups.

Forums Were Poorly Timed and of Low Quality. As required by the cooperative agreement, NDI, assisted by SPO, held discussion forums for parties from all four provinces. Participants said the following problems limited the benefits they gained:

- *Guest speakers were not well prepared.* NDI's chief of party (the highest in-country program official) said SPO did not select suitable speakers and did not properly brief those selected on issues of interest to the working groups.

- *The forum in Sindh Province took place after policy drafts were developed by some working groups.* Therefore, the forum had no effect on them.

- *No follow-up meetings took place between working group members and subject matter experts.* In fact, participants were not even aware that the program could have facilitated such meetings. NDI's senior program manager was not aware that NDI, being the prime recipient, was responsible for monitoring whether coordination between working groups and subject matter experts continued beyond the forums.

Research Units' Contribution Was Limited. The schedules of research units and working groups weren't conducive to coordination between the two groups. This meant working groups crafted policies without the benefit of the research units. Members of research units, who were tapped by party leaders and had to complete research training, said the training was too technical for them. Because of that, they had a low attendance rate, and their graduation rate was only 59 percent. NDI's only selection criterion was that research unit members should include 50 percent women; no education or experience was required although the training included quantitative research tools and statistics. In addition, some participants said their parties did not consider the candidates' backgrounds, interests, or other commitments before selecting them. Officials with IRI, which conducted the training, said that some of the selection problems were partially addressed in the second round and that the new group of trainees included more youth with technical skills.

Few Parties Held National Conferences. The research and drafting efforts were to culminate in high-profile events—national policy conferences. The conferences were to provide a venue for grassroots participants to present and defend their policy proposals before the parties' leaders. Participants spent months drafting policies and hoped to shape their parties' policy platforms, but they did not all get the chance. Only two of the eight participating parties held policy conferences before the May 2013 elections because parties shifted into high gear doing canvassing for the elections; three political parties were able to hold policy conferences following the 2013 elections, in the third year of the program. Four of 5 parties that held conferences were provincial parties (i.e. had only one policy working group each as opposed to national parties who have more than one). Without finalized policies, the parties could not take part in communications training. Eight months into the third year of the program, none of the parties, not even those that held conferences, had received communications training.

Workshops Were Not Well Organized. Participants from various parties said that they did not receive clear agendas and timetables well in advance to allow for attending workshops, especially those that took place outside their home bases.

The underlying causes of these problems were multiple. According to NDI and the mission, the primary one was the volatile security situation in Pakistan in the run-up to the 2013 elections. Uncertainties and concerns about elections coupled with security threats undermined law and

order. Car bombs, suicide attacks, kidnappings, and the killings of targeted members of some political parties and nongovernmental organizations curtailed activities in Khyber Pakhtunkhwa and Balochistan Provinces. However, USAID and NDI made efforts to reduce security risks as much as possible by changing venues and schedules of events.

Contributing to these problems, NDI and IRI had difficulty recruiting and retaining staff. NDI should have had two expatriate senior program managers to work with the selected political parties. However, during the first year, it had only one on staff. The staffing situation worsened when the senior manager, along with other staff members, left the program near the end of the first year. NDI succeeded in hiring two new senior program managers and new staff in the second year of the program, but by that time the political parties' focus had shifted to the elections. Moreover, NDI's deputy chief of party spent almost 6 months out of Pakistan and then left the program in December 2013. This position remained vacant as of May 2014. Likewise, IRI, NDI's partner, experienced staffing challenges. IRI did not have a resident country director from October 2011 to April 2012 or from October 2013 to April 2014, causing a leadership vacuum.

With the slip in schedule, parties' continued involvement was in doubt. Party leaders, whose tenuous commitment to the program is discussed in the next finding, were not sure when they would complete the cycle. Grassroots members said that they were not sure whether they would get their leaders' support to attend the remaining activities.

Because the phases of the cycle and the two iterations of the cycle are interrelated, if any of these activities fall short of their desired results, the program as a whole suffers. As a result of the many impediments, the mission's goal for political parties in Pakistan to adopt inclusive, well-informed, and democratic policy-making and governance processes may not be attainable during this program. If not, the $8.8 million disbursed will have been wasted. To improve the likelihood of achieving program results, we make the following recommendations.

> *Recommendation 1. We recommend that USAID/Pakistan, with the National Democratic Institute, reassess and document whether program activities remain viable given the security and political realities in Pakistan, and modify the agreement and work plans to update program activities, deliverables, and funding accordingly.*

> *Recommendation 2. We recommend that USAID/Pakistan, with the National Democratic Institute, implement a recruitment plan to fill vacant positions and maintain a staffing level commensurate with the program's planned results.*

> *Recommendation 3. We recommend that USAID/Pakistan, with the National Democratic Institute and Strengthening Participatory Organization, set written criteria for selecting subject matter experts and briefing them on issues of concern to the parties before holding discussion forums, and develop a written strategy to facilitate follow-up meetings between subject matter experts and members of policy working groups to discuss policy interventions as needed.*

> *Recommendation 4. We recommend that USAID/Pakistan, with the National Democratic Institute, identify and document the skills and experience necessary for members of research units and policy working groups; the relevant selection standards; and the procedures political parties will use to identify, select, and recruit qualified participants.*

Parties Did Not Adopt Standards for Internal Democracy and Transparency

To help parties institutionalize elements of the policy cycle and internal democratic practices, NDI was to hold a combination of single-party round tables and consultations quarterly. In the first and second year of the program and in anticipation of the 2013 election, parties were to discuss principles of internal party democracy, transparency, and accountability to members; develop an action plan to guide and monitor reform of party bylaws, including the incorporation of elements of the policy development cycle; and bring their bylaws into compliance with Pakistan's Political Parties Order of 2002, which calls on parties to select officers in a transparent and democratic manner.

Contrary to NDI's expectation, the parties did not show any interest in reviewing candidate selection procedures before the elections, and 32 months into implementation, none of the parties attended the round tables designed to help them incorporate reforms into their party bylaws and practices. The chief of party acknowledged that NDI had not gotten formal commitments from the party leaders at the outset to participate in the program.

Party leaders said it was not practical to review bylaws in the 2 years that preceded the 2013 election. Yet even after the elections they showed a lack of clear commitment to the program.

The program's design assumed that party leaders would be willing and able to attend the round table discussions of bylaws and adopt reforms. The fact that no political party had agreed to schedule round tables, although the program was about to enter its fourth year, reveals that the design was flawed and jeopardizes the mission's efforts to help Pakistan's political parties become more responsive, effective, democratic, and transparent. Therefore, and if the mission determines in its response to Recommendation 1 that the program is still viable, we make the following recommendation.

Recommendation 6. *We recommend that USAID/Pakistan, with the National Democratic Institute, implement a plan to obtain leadership commitment from each participating political party, clarify expectations and responsibilities, and focus the program on parties that are fully committed.*

Partner Did Not Prepare Pakistani Research Entity to Be Independent as Planned

The cooperative agreement specified that IRI was to help IPOR become an independent opinion research facility that adheres to international research standards. IPOR was expected to:

- Develop a long-term operating strategy.
- Diversify its client base.
- Independently conduct public opinion surveys and research training.
- Present public opinion research to political parties to gain their trust.

IRI was to provide organizational and technical assistance. IRI's resident director was to provide day-to-day support for and give quarterly capacity-building training to IPOR. Quarterly trainings were to yield a written employee handbook, an organizational chart, and a business plan with priorities for business growth. On the technical side, IRI's U.S.-based survey research consultant was to offer quarterly training in technical research. These trainings were to strengthen IPOR's capacity in developing survey questionnaires, collecting and analyzing data, and writing reports. IRI was also to give IPOR opportunities to present nonpartisan opinion poll results to parties in order for IPOR to gain their trust as an independent survey research firm. IRI delivered both kinds of assistance, albeit a year late.

With the help it received, IPOR took some steps toward independence. It became a member of a global membership organization for market, social, and opinion researchers that requires members to adhere to international industry standards. IPOR also presented nonpartisan opinion poll results to political parties and secured a few polling projects from different clients.

However, IPOR's overall performance lagged. Its financial reliance on IRI and USAID funding remained high, with 60 to 80 percent of its staff salaries funded by USAID after 3 years. IPOR's organizational structure had not evolved as anticipated (most of the business responsibilities remained the purview of the executive director), it took 3 years to get a business plan approved, and it had not finalized an employee handbook after almost 4 years. Although IPOR staff succeeded in drafting survey questionnaires and collecting public opinion polling data, they did not demonstrate the ability to analyze survey data independently or make public releases as planned. An IRI assessment disclosed that IPOR was not ready to perform survey research without IRI's guidance, or conduct research training on its own.

IPOR had difficulty obtaining parties' trust. Its staff conducted quarterly public opinion polls, held focus group discussions, and briefed parties on the results of their research. However, the political parties' confidence in IPOR's results being politically unbiased was severely damaged when one political party publicly questioned IPOR's impartiality. Although auditors could not substantiate the allegation, leaders of four of the six parties interviewed said that IPOR research results were not neutral and that their parties would not rely on IPOR's research. Believing that IPOR's participation in program activities had become too controversial and damaging to the program, IRI officials ceased inviting IPOR to program events.

Both IRI and IPOR had staffing problems that contributed to IPOR's inadequate progress. First, IRI had challenges filling its resident country director position and obtaining visas for expatriate consultants. Consequently, IRI's training planned for IPOR was delayed for almost a year and remained behind schedule as of March 2014. Second, IPOR wasn't able to retain staff, and its executive director was so focused on conducting day-to-day operations that he could not allocate enough time to strengthen the organization.

NDI's subaward to IRI amounted to $6.3 million, and the mission had awarded a $500,000 cooperative agreement under a prior initiative to IRI to establish IPOR and build its capacity. All of these funds would be wasted if IPOR did not become a self-sustaining independent research organization by program end. Therefore, we make the following recommendations.

> **Recommendation 7.** *We recommend that USAID/Pakistan, with the National Democratic Institute and the International Republican Institute, determine and document whether to continue program support and activities for the Institute for Public Opinion Research or to put the remaining funds to better use.*

Recommendation 8. We recommend that USAID/Pakistan, if it decides to continue supporting the Institute for Public Opinion Research, work with the National Democratic Institute and the International Republican Institute to implement a corrective action plan to address the slow progress in providing capacity building to the Institute for Public Opinion Research.

Partner Did Not Effectively Manage Award to Local Organization

According to the proposal it submitted, NDI included SPO in the program to strengthen local capacity. NDI gave a $436,331 subaward to SPO lasting from October 2011 through July 2013 to:

- Participate in NDI-led skill-building workshops.

- Facilitate issue identification workshops along with NDI.

- Conduct CSO forums along with NDI.

- Facilitate meetings between each party's research units, policy working groups, and subject matter experts to assist in developing informed policies.

- Assist NDI in facilitating provincial and national policy conventions.

However, SPO and NDI did not fulfill their responsibilities. In fact, an official with SPO characterized the organization's participation in the program and its capacity gains as limited. Of the tasks listed above, SPO only facilitated the issue identification workshops. Its role in the CSO forums, which got off to a rocky start as mentioned in the first finding, became limited to providing a list of speakers and facilitating their travel. SPO staff did not facilitate meetings between parties and subject matter experts and were not invited to any skill-building workshops or policy conventions.

Officials from the two groups differed on why SPO didn't do more. According to the chief of party, NDI sidelined SPO because it had underperformed on CSO forums and its staff's qualifications were not satisfactory. However, NDI referred in its proposal to SPO's well-regarded abilities. SPO officials said their organization has a long-established reputation in Pakistan and that their staff did not get opportunities commensurate with their skills.

Despite SPO's limited contribution to the program, NDI continued to disburse funds as if SPO's involvement in the program had not changed. Program records showed that although SPO did not participate in any program activities during three periods—May through August 2012, October through November 2012, and January through September 2013—NDI continued with the grant and continued to provide funding totaling $138,375.

NDI's chief of party justified continuing payment on the grounds that the agreement was a grant, not a contract. However, in the cooperative agreement NDI reserved the right to terminate SPO for nonperformance or convenience if it was no longer willing or able to carry out the program. Subsequently, the chief of party said NDI paid SPO because it had held a series of events that included political parties and civil society networks. However, the events SPO held were not part

of the program activities, and the cooperative agreement stated that SPO agreed to spend the funds it received under the agreement only for the purposes expressly contemplated by the agreement.

Because NDI came to question the qualifications of SPO staff, it did not give SPO the opportunity to add value to the program or to gain capacity through participation as planned. Moreover, NDI spent $138,375 without achieving the intended results.

To ensure accountability for public funds, we make the following recommendations.

> **Recommendation 9.** *We recommend that USAID/Pakistan require the National Democratic Institute to reassess and document the capabilities of Strengthening Participatory Organization and determine how to effectively involve it in the program.*

> **Recommendation 10.** *We recommend that USAID/Pakistan determine the allowability of, and recover from the National Democratic Institute as appropriate, ineligible questioned costs of $138,375.*

Mission Did Not Do Effective Monitoring

USAID guidance, contained in the Agency's Automated Directives System (ADS), states: "Site visits are an important aspect of effective award administration and allow for effective review of the program."[2] This guidance requires agreement officer's representatives (AORs) to document site visit findings in the official award file. In addition, USAID/Pakistan's Mission Order 200.1, Performance Monitoring and Evaluation, emphasizes that site visits are an essential monitoring and evaluation tool that should occur at least quarterly, depending on security, and should be documented and filed appropriately.

Contrary to this guidance, the mission lacked evidence that it had conducted site visits. The AOR said she made nine site visits but could not provide any documentation for them.

The AOR gave several reasons for not conducting more site visits. She said that given the fluid political and security situation, activities were scheduled on short notice and mission officials were not given enough time to get travel clearances from the Embassy's Regional Security Office. Further, she said that her office had a staff shortage and that she was managing multiple programs.

As a result, mission officials did not know about implementation problems, which remained uncorrected. Had mission officials performed frequent site visits and spoken with the participants, they would have identified issues such as lack of interaction between members of research units and policy working groups, and an uncertainty among participants about their continued involvement with the program.

To address this issue, we make the following recommendation.

> **Recommendation 11.** *We recommend that USAID/Pakistan develop a plan to conduct regular site visits or devise alternatives to provide adequate oversight of the program if site visits are not possible, and document the results.*

---

[2] ADS 303.3.18 (b), "Site Visits."

Partner Did Not Ensure Accuracy of Performance Data

The program's primary approach for achieving its objectives is to provide training workshops for participating political parties. Each quarter NDI gives quarterly progress reports to the mission with the number of participants attending the training. NDI also uses indexes to measure and report on the progress made by participating parties.

NDI's Data Collection and Quality Assessment Protocol states that the monitoring and evaluation team should perform data quality assessments to ensure that the chances of errors are minimal.

However, NDI did not collect or process program performance data in a consistent manner and did not check for accuracy. The audit team judgmentally selected a sample of 25 out of approximately 240 training workshops. The selected events had 606 participants. Although auditors confirmed that the events occurred, in eight instances the number of participants did not reconcile to attendee sign-in sheets or other supporting documentation. Similarly, the auditors reviewed the details supporting the indexes of party progress and found transcription errors in most.

The inaccuracies occurred because NDI had weak internal controls over recording and reporting performance data. For instance, NDI recorded program performance data based on observation rather than using actual attendee sign-in sheets. In addition, a lack of supervisory review of data prevented timely detection and correction of errors.

The data on program events and participants, along with the party rating indexes, are the primary indicators to measure the program's progress. Inaccurate data are misleading and could weaken the mission's decision-making ability.

To improve the program data accuracy, we make the following recommendation.

> **Recommendation 12.** *We recommend that USAID/Pakistan work with the National Democratic Institute to develop an action plan to strengthen controls over performance data collection and reporting, including supervisory review of the data before submission to USAID/Pakistan.*

Mission Did Not Invest Resources Wisely on Election Activities

USAID's ADS 200.3.1.3 requires missions to be selective in planning activities. It instructs them to invest resources where they will have the greatest impact.

To assist political parties with the 2013 elections, NDI was to train 420 master trainers on poll watching. After the training, each master trainer was to train at least 30 other poll watchers. NDI was required by the modified cooperative agreement to conduct the training at least 60 days before Election Day. Yet USAID/Pakistan did not modify the cooperative agreement to include elections activities until March 22, 2013—less than the required minimum 60 days.

Although NDI sprang into action and trained 475 master trainers for poll watching in 15 workshops, exceeding its targets, there was no time for the master trainers to train other poll watchers. NDI held the first training session on April 8, 2013, and completed the last one on May 1, 2013, only 10 days before elections. Some trainees said that it was unreasonable of NDI to expect them to train other party members so close to the election day because their priority at that time was to campaign for themselves or their party candidates. Other trainees said that, with time running out, their parties had taken the matter into their own hands and trained members on their own. In those cases, when NDI did training, it merely repeated what the group had already learned.

The contracting officer did not clarify why the amendment came too late for the training activity to be conducted in time.

As a consequence of the delay, USAID/Pakistan's poll-watching workshops did not realize their full impact and were not an effective use of program funds. We brought this matter to the mission's attention but, given that the elections have concluded, we are not making a recommendation.

OTHER MATTER

Partner Did Not Ensure Compliance With
Federal Financial Audit Requirements

Office of Management and Budget Circular A-133, Section 400(d), holds U.S.-based prime recipients of federal assistance responsible for advising subrecipients of requirements they are subject to (imposed on them by federal regulations and by their agreements). Further, A-133 requires prime recipients to monitor the activities of subrecipients as necessary to ensure that federal awards are used in compliance with regulations and the provisions of agreements.

USAID's ADS 591.3.1.1 states that U.S.-based nonprofit organizations that are prime recipients of USAID funding must ensure that their foreign nonprofit subrecipients have annual audits performed as required. In addition, the program's cooperative agreement states, "For any subawards made with Non-U.S. subrecipients the Recipient shall include the applicable 'Standard Provisions for Non-U.S. Nongovernmental Grantees." These provisions state that recipients must have an annual audit. In addition, ADS 591.3.2.1 states that foreign nonprofit recipients that expend $300,000 or more in USAID funds must have an annual audit conducted in accordance with the Office of Inspector General's *Guidelines for Financial Audits Contracted by Foreign Recipients*.

This guidance applied to NDI and IRI. NDI was responsible for advising IRI of audit requirements and monitoring IRI's compliance with them, but NDI did not fulfill its responsibility. Similarly, IRI was responsible for including the audit requirement in the subaward it issued to IPOR, but it did not. As a result, IPOR expended $401,593 in USAID funds in fiscal year 2013 without having an annual audit conducted as required.

According to those involved, they did not follow the guidance, which the mission included in the cooperative agreement, because of a lack of awareness. NDI's chief of party, IRI's project manager, and IPOR's executive director said they did not know an audit was required. Although the mission is not directly responsible for monitoring subrecipients, it should ensure that the prime recipient fulfills its responsibilities, including checking for compliance with audit requirements. Nevertheless, the AOR did not know whether NDI had complied or not.

As a result, the mission and program partners were not in compliance with federal regulations or the agreement, and public funds were at risk of not being used as intended. Further, the mission missed the opportunity to obtain an independent assessment of IPOR's internal controls and its use of USAID's funds. Similarly, IPOR lost the chance to use the audit as a tool to identify areas for improvement and promote its integrity, a program objective.

To bring program partners into compliance with federal financial audit requirements, we make the following recommendations.

> *Recommendation 13. We recommend that USAID/Pakistan require the National Democratic Institute to have the Institute for Public Opinion Research undergo an audit of fiscal year 2013 expenditures in compliance with the Office of Inspector General's Guidelines for Financial Audits Contracted by Foreign Recipients.*

Recommendation 14. *We recommend that USAID/Pakistan require the National Democratic Institute to modify agreements with the International Republican Institute and the Institute for Public Opinion Research to include the standard audit provisions.*

EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/Pakistan agreed with the 14 recommendations. The mission took final action on Recommendations 2, 3, 4, 5, 6, 7, 9, 11, and 13, made management decisions on Recommendations 1, 8, 12, and 14. Recommendation 10 remains without a management decision. Below is our detailed evaluation.

Recommendation 1. USAID/Pakistan agreed to reassess whether program activities remain viable given the security and political realities in Pakistan. Citing the program's activities and achievements presented in the draft Year Five Work Plan, the mission asserted that the program remains relevant to Pakistan's political reality. Acknowledging security and political eventualities that may affect the program, the plan presents activities and timelines to achieve the stated program objectives. To ensure that the program has sufficient time to realize all its activities and objectives, the mission planned to grant an extension, which will allow the political parties to complete two full cycles of the policy development process as originally envisioned. The mission expected the extension to take effect by March 31, 2016. We acknowledge the mission's management decision.

Recommendation 2. USAID/Pakistan agreed to work with NDI to fill vacant positions. Subsequently, the NDI deputy chief of party and the IRI resident director positions were filled. We acknowledge management's decision and final action.

Recommendation 3. USAID/Pakistan agreed and in June 2015 developed a formal document establishing (1) the criteria for selecting subject matter experts and (2) a strategy for facilitating follow-up meetings between policy working groups and subject matter experts. We acknowledge management's decision and final action.

Recommendation 4. USAID/Pakistan agreed and in June 2015 developed a document outlining the selection process for members of research units and policy working groups, including the selection criteria. We acknowledge management's decision and final action.

Recommendation 5. USAID/Pakistan agreed and in June 2015 developed a plan for coordinating the activities of policy working groups and research units. In Year Four of the program, program officials asked each participating political party to select two members to participate in both the policy working groups and the research units, serving as liaisons and ensuring communication between the two groups. We acknowledge the mission's management decision and final action.

Recommendation 6. USAID/Pakistan agreed to secure leadership commitment from each participating political party. Although program officials were not able to obtain written commitment from the parties, party leaders made verbal commitments and dedicated resources to demonstrate their commitment to the program. We acknowledge the mission's management decision and final action.

Recommendation 7. USAID/Pakistan agreed and determined to continue to work with IPOR. It did so because IPOR, with support from IRI, has attracted many new clients, and its financial

dependence on IRI funding has vastly diminished. We acknowledge the mission's management decision and final action.

Recommendation 8. USAID/Pakistan agreed and plans to evaluate IPOR's organizational capacity through a third party evaluation by October 31, 2015. We acknowledge the mission's management decision.

Recommendation 9. USAID/Pakistan agreed to require NDI to reassess the role of SPO. NDI determined not to renew SPO's subgrant for the second cycle because working groups have essentially assumed its role. We acknowledge the mission's management decision and final action.

Recommendation 10. USAID/Pakistan agreed to determine whether payments made by NDI to SPO are allowable. The mission expected to complete its investigation and issue a final determination on the allowability of the identified questioned costs by December 31, 2015.

Per ADS 595.3.1.2.a, a management decision is reached when a decision is made on the allowability of questioned costs and, as applicable, a target date is set for collecting disallowed costs. Because the mission has not made a decision on the allowability of the full amount of ineligible questioned costs, this recommendation remains without a management decision.

Recommendation 11. USAID/Pakistan agreed and has developed a plan to conduct and document site visits regularly to provide adequate oversight of the program. We acknowledge the mission's management decision and final action.

Recommendation 12. USAID/Pakistan agreed to work with NDI to develop an action plan to strengthen controls over the collection of performance data. In June 2015, NDI developed a plan to implement stricter controls for data collection and reporting. The mission planned to review the proposed plan and provide comments by October 31, 2015. We acknowledge the mission's management decision.

Recommendation 13. USAID/Pakistan agreed and NDI had IPOR undergo an audit for the period from December 1, 2011 to September 30, 2014. The auditor's report was issued on August 6, 2015. We acknowledge the mission's management decision and final action.

Recommendation 14. USAID/Pakistan agreed and reported that language for the standard audit provision is already in the agreement between NDI and IRI. The mission pledged to work to ensure that the agreement between IRI and IPOR is appropriately updated to include the audit provision, per ADS 591.3.2.1, by December 31, 2015.

Although we do not agree that the agreement between NDI and IRI includes the standard provision for foreign subrecipients, we are satisfied because the mission has agreed to include the standard audit provision in the agreement between IRI and IPOR. We acknowledge the mission's management decision.

SCOPE AND METHODOLOGY

Scope

We conducted this audit in accordance with generally accepted government auditing standards. They require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with the audit objective. We believe the evidence obtained provides that reasonable basis.

In July 2011, USAID/Pakistan awarded NDI a 5-year cooperative agreement for $21.5 million to implement the Political Party Development Program. As of September 30, 2014, the mission had obligated $14.6 million and disbursed $10.9 million. NDI leads the program in partnership with IRI, IPOR, and SPO; the latter two are Pakistani organizations. Twelve political parties represented in the National Assembly or Provincial Assembly were invited to participate in the program.

In planning and performing the audit, we assessed significant controls used by the mission to monitor project activities and ensure that NDI was providing adequate management and oversight of these activities. These controls included reviewing and approving award program documents and deliverables, performing field visits and follow-ups, and reviewing and validating program data. Additionally, we examined the mission's fiscal year 2013 annual self-assessment of management controls, done to comply with the Federal Managers' Financial Integrity Act of 1982, to see whether the assessment cited any relevant weaknesses. We assessed significant controls implemented by NDI including supervisory monitoring of activities and reviews and approval of program performance reports. Our tests included information system controls implemented by the mission and NDI over performance data collection, processing, and reporting.

The audit covered the period from the program's inception date of July 14, 2011, through December 31, 2013. We conducted our audit fieldwork from January 26 to May 8, 2014, in Islamabad, Karachi, and Peshawar. We visited the offices of and interviewed staff with USAID/Pakistan, NDI, SPO, IRI, and IPOR. In addition, we interviewed the leaders of participating political parties in Islamabad and met with grassroots leaders from Sindh and Khyber Pakhtunkhwa Provinces. Because of security restrictions, we interviewed grassroots leaders from the Balochistan and Punjab Provinces by telephone. Our interviewees represented ten political parties and were members of the train-the-trainer program, policy working groups, and research units.

Both NDI and the contracting officer initially impeded auditors' access to program documentation. Most impediments were subsequently removed, but they nonetheless affected the progress of the audit work.

Methodology

To answer the audit objective, we obtained an understanding of the program by reviewing program documents and interviewing officials from the mission, NDI, and subrecipients. Using our understanding, we assessed risks and identified controls designed and implemented to

ensure that the program meets its objectives. We reviewed controls over information systems used by the mission and NDI to collect and process program data.

To assess whether the program was achieving the desired results, we conducted interviews with staff from the mission's Stabilization and Governance Office (the office responsible for overseeing the program) and reviewed documents including the mission strategic framework, activity approval document, and the program's logical framework to determine their adequacy and whether the program had addressed the mission's development objective for Pakistan.

In addition, we tested internal controls implemented by the mission and NDI to ensure that the program achieves its objectives. We interviewed the AOR and NDI chief of party to determine how they monitored the program. We also reviewed documents including the cooperative agreement and its amendments, performance monitoring plan, quarterly performance reports, and correspondence between the AOR and NDI chief of party to determine whether the mission reviewed and independently verified performance. We also requested evidence of AOR site visits.

We visited NDI, SPO, IRI, and IPOR offices and interviewed staff to determine their contribution to the program. We obtained program data and supporting documents, such as sign-in sheets, for activities and tested controls over performance data collection, processing, and reporting.

NDI reports on the program's activities, events, and participants based on data maintained in its monitoring and evaluation system. To determine whether program data were reliable, we conducted interviews with NDI's monitoring and evaluation manager, reviewed documentation to understand relevant controls, and tested data reliability using a stratified sample of 25 activities that involved 606 program participants. Program activities consisted of assisting parties in establishing policy working groups and research units and holding events including workshops, forums, conferences, and training. We stratified data by activity type to ensure that each activity type was represented in our sample. We compared data in the system to source documentation including sign-in sheets, survey forms, preassessment forms, and focus group discussion checklists. We found that the occurrence of events was supported for all selected activities, but reported data on participants had 46 errors (10 participants not counted and 36 overcounted).

To answer the audit objective, we relied extensively on the computer-processed data contained in the Excel database maintained by NDI. Our review of system controls and the results of data tests showed errors that cast doubt on the data's validity. However, when these data are viewed with other available evidence, we believe the opinions, conclusions, and recommendations in the report are valid.

To validate program performance for each objective, we identified achievements—including establishing policy working groups, establishing research units, and holding workshops—reported by NDI in quarterly performance reports. We then compared achievements to the targets established in the performance monitoring plan. We also validated reported performance against data maintained by NDI in its monitoring and evaluation system and against information obtained through interviews with representatives from IRI, SPO, IPOR, policy working groups, research units, the train-the-trainer program, and parties' senior leaders.

To ensure that our samples were representative, we judgmentally selected interviewees from all participating parties based on provincial representation and type of participation in the program.

Our sample selections were based on judgmental samples; therefore, the results are limited to the items tested and cannot be projected to the entire audit population.

Furthermore, we analyzed program performance data against financial reports to determine whether funds were used efficiently and in compliance with applicable federal regulations. These regulations included USAID guidance in ADS series 200, 303, and 591, as well as Office of Management and Budget Circular A-133.

MANAGEMENT COMMENTS

USAID | PAKISTAN
FROM THE AMERICAN PEOPLE

MEMORANDUM

Date	**September 21, 2015**
To	**Van Nguyen- Director/OIG Pakistan**
From	**John Groarke- Mission Director USAID/Pakistan /s/**
Subject	**Management Decision on the Performance Audit of USAID/Pakistan's Political Party Development Program**
Reference	**Draft Audit Report dated 6/18/2015**

USAID/Pakistan is pleased to have worked with the Office of the Inspector General/ Pakistan (OIG) team to examine the history and accomplishments of USAID/Pakistan's Political Party Development Program (PPDP). PPDP is a 5-year, $21.5 million cooperative agreement with the National Democratic Institute (NDI). The program works with political parties to engage members and citizens through a policy development process assisting parties to develop skills and mechanisms to channel concerns into policy proposals. The objectives include supporting parties to conduct democratic and research based policy development, improve communications with members and citizens and develop research and training capacity of the parties. This program is led and administered by NDI along with its sub-grantees including the International Republican Institute (IRI) and others.

USAID acknowledges that like many political party development programs operating in difficult security and political environments, the PPDP faced a series of challenges that the OIG has identified. Staffing vacancies and visa restrictions sometimes hampered implementation. The engagement between civil society organizations and political party groups evolved over time. Coordination between different program elements was sometimes challenging. Although party leaders demonstrated strong commitment to the overall program, their commitment to the process of revising by-laws was lacking. Travel restrictions made in-person site visits challenging and data collection lacked strict controls. USAID has taken the audit recommendations seriously and has already addressed – or has a plan to address – all of the deficiencies identified. These reforms will make the program even stronger. However, despite the challenges identified and implementation delays due to inconsistent availability of

funding over the course of the program[1] and the disruptions caused by the 2013 elections[2], the PPDP is achieving its objectives and is playing a key role in substantially reforming how parties develop policies that are responsive to their members and the broader public.

After four years of implementation, PPDP has successfully achieved many of the program's objectives. For example, since year 1, the program has consistently worked with the 10 major political parties in Pakistan, providing direct support on democratic and research-based policy development. Traditionally, Pakistan's political parties have had top-down, "closed" decision-making processes, which produced elite-driven policies with little input from party members or civil society. Due to the program's training and sponsored activities, the participating political parties, for the first time, have systematically embraced a participatory and open policy development approach. In concrete terms, the program helped political parties implement Policy Working Groups (PWGs), which bring together party leadership and grassroots members to cooperatively draft policies based on research. The PWGs start at the grassroots level and work with party members to feed into policy development, facilitating a step-by-step process that empowers and walks them through the policy development cycle. To date, PPDP's 28 PWGs have developed 62 policies, 40 of which have been incorporated into party platforms and five have been proposed as provincial legislation. Given the elite-driven historical context, the adoption of the PWG process by the 10 major parties is an indication of PPDP's success at promoting a democratic policy development process in Pakistan.

According to the draft Year Five Work Plan, Attachment 1, by the end of the program's fourth year, the first cycle of policy development process had been completed, save for two of the participating political parties that were in process of finishing the final phase of the first cycle. Four parties are already conducting the second cycle of policy development process. In year five, the program team anticipates that policy proposals will continue to be developed, reviewed, refined and presented to party leaders at policy conventions.

Most indicative of PPDP's success to date is the positive feedback the program has received from Pakistani political leaders and grassroots members. They have described PPDP's work as 'innovative' and 'groundbreaking,' and indicated that activities offer 'unique, practical and much-needed capacity building.' Young people from security-risk districts expressed how this program is the way to show communities in Pakistan how the pen (party policy) is mightier than the sword.

Please find below the Mission's management comments on the specific recommendations included in the draft audit report.

---

[1] In addition to a delay in receiving FY 2012 funds, the program experienced significant reductions of the annual obligated amounts over the life of the program, including a 42 percent cut in Year Three and a 33 percent cut in Year Four requiring a reduction in program activities accordingly to fit within available funds.

[2] The reduced availability of political leaders in the months surrounding the May 2013 elections, and various periods of political unrest, mass demonstrations and heightened security risk in 2014 affected the pace of programming and delayed completion of the first phase of activities. The audit field work was conducted just after a six month hiatus in PPDP activities due to the elections and thus reflected a delay in completing cycle one activities. Parties re-engaged with PPDP activities after the elections and have since made significant progress in completing cycle one activities.

<u>Recommendation No. 1</u> **We recommend that USAID/Pakistan, with the National Democratic Institute, reassess and document whether program activities remain viable given the security and political realities in Pakistan, and modify the agreement and work plans to update program activities, deliverables, and funding accordingly.**

<u>**Management Comments**</u>

The Mission agrees with the recommendation to reassess whether program activities remain viable given the security and political realities in Pakistan. A context as fluid and unpredictable as Pakistan, demands on-going review of the critical assumptions and level of political will underpinning program design. After review of the program's activities and achievements presented in the draft Year Five Work Plan, Attachment 1, submitted to USAID June 2015, USAID asserts that the PPDP team has demonstrated that the program remains relevant to Pakistan's political reality. The country's main parties continue to be engaged in the program's activities; there is evidence that participating parties are using the PPDP's PWG methodology to develop party policies in a more inclusive and participatory manner and these policies are also being incorporated into party platforms and legislative agendas. Here are some examples of party policies developed through PPDP's PWG that went on to be incorporated into provincial legislation and policies:

- The PWGs of Pakistan People's Party (PPP) in Sindh and Punjab, as well as Pakistan Muslim League-Quaid e Azam (PML-Q) in Baluchistan and Punjab, developed policies that advocated for the right of every child to access free education. On February 13, 2013 the Sindh government signed into law "The Right of Children to Free and Compulsory Education Bill 2013." On October 27, 2014, the Punjab government passed "The Punjab Free and Compulsory Education Bill 2014."
- The PML-Q working group in Baluchistan developed a policy on honor killings, advocating that cases be tried in courts of justice rather than be referred to jirgas. On March 1, 2015, the Senate amended Pakistan's penal code and the code of criminal procedure to block violations that saw honor killings being adjudicated by jirgas, and it enacted the "Anti-Honour Killings Laws (Criminal Laws Amendment) Bill 2014." The working group had engaged Senator Mushahid Hussein, PML-Q General Secretary and Chair of the Senate Human Rights Committee, who was a key advocate of this amendment.
- The PWG of PPP in Sindh called for the introduction of mandatory DNA testing of the accused and the victim in rape cases. On July 05, 2013 the "Mandatory DNA Testing Act, 2013" was signed into law and was heralded as a key step in ameliorating the investigation of rape cases.
- The NP-led government in Balochistan is currently implementing the following education and health policies developed by their PPDP PWG:
- Increased the provincial education budget
- Upgraded girls' schools
- District level school monitoring
- Addressing the absent/ghost teacher issue
- Secondary school teachers appointed through the Public Service Commission
- Providing buses for girls schools
- Constructing hostels for girls' schools in a phased in manner
- An awareness campaign to enroll out-of-school children
- New medical colleges have been established in Kech, Khuzdar, and Loralai
- Immunization campaigns for hepatitis and measles

- Increases in the provincial health budget

There are many anecdotes of how participants are applying the skills they learn in PPDP's training activities. For example, Noorulain Baloch, a young, grassroots, PPP party activist from a small village in Dadu (Sindh), was nominated by her party to attend PPDP's Training Fellowship Program (TFP). Having never travelled away from her home, Noorulain was unsure if she should participate or how the training would be useful. However, after securing her family's permission, she agreed to attend the training, where she was exposed to new communication and presentation techniques, principles of women empowerment, and political participation. Noorulain came away with a strong perspective that politics can only be representative of the population when women are given equal opportunities and voice in politics and within the political parties. She returned to her village and quickly organized a gathering of women from her village to discuss political participation and "Ethics and Politics." It was the first ever gathering of women in her village and was well received by the party and the local community. In reflecting on her experience, Noorulain accredits PPDP for helping her find the confidence to work for her community and even goes on to say that the training has "changed [her] life." For more details, please see success stories selected from PPDP's draft quarterly report for April 1, 2015 to June 30, 2015, Attachment 2.

To ensure that party leaders and members fully understood responsibilities of program participation, the program team developed terms of reference (TORs) for participants of each program activity. The TORs will be discussed further below in the response to Recommendation 6. USAID believes that these policy achievements and the consistent participation of Pakistan's 10 major political parties are indicative of PPDP's success and the viability of the program.

Moreover, in assessing the draft Year Five Work Plan, USAID also believes that the PPDP team has conducted sufficient analysis that accounts for the security and political realities in Pakistan which may affect program implementation. In the draft Work Plan, the PPDP has detailed the key assumptions that the program design has taken into account to ensure the successful implementation of the program. These assumptions include security and political eventualities that may impact the ability of PPDP to achieve program objective. Throughout the draft Year Five Work Plan, the program team presents adequate activities and timelines to achieve the stated program objectives. Given that the PPDP team has documented and accounted for potential security and political issues is further evidence that the project has taken measures to increase the likelihood for the successful implementation of the project.

Lastly, to ensure that the program has sufficient time to realize all its activities and objectives, the Mission is taking steps to process an extension to PPDP which will compensate for the programming time lost during the 2013 election cycle, political unrest in late 2014 and the vagaries of funding over the life of the program. The time extension will allow political parties to complete two full cycles of the policy development process as originally envisioned in the program design.

In view of the above, the Mission reports that the required final action has already been taken and hence requests closure of this recommendation upon issuance of the final audit report.

Recommendation No. 2 We recommend that USAID/Pakistan, with the National Democratic Institute, implement a recruitment plan to fill vacant positions and maintain a staffing level commensurate with the program's planned results.

Management Comments

The Mission agrees with this recommendation and notes that following the OIG audit, the National Democratic Institute (NDI) Deputy Chief of Party and the IRI Chief of Party positions were filled, see Attachments 3 and 4.

In view of the above, the Mission reports that the required final action has already been taken and hence requests closure of this recommendation upon issuance of the final audit report.

Recommendation No. 3 We recommend that USAID/Pakistan, with the National Democratic Institute and Strengthening Participatory Organization, set written criteria for selecting subject matter experts and briefing them on issues of concern to the parties before holding discussion forums, and develop a written strategy to facilitate follow-up meetings between subject matter experts and members of policy working groups to discuss policy interventions as needed.

Management Comments

The Mission agrees with the recommendation in principal and reports that since Year One, PPDP has had established criteria on selecting subject matter experts and a strategy for facilitating follow-up meetings between policy working groups and subject matter experts. In June 2015, the selection criteria were formalized in a written document – please see Attachment 5 for the Policy on Engaging Civil Society (CSO) Representatives and Subject Matter Experts in the Policy Development Process. The Strengthening Participatory Organization (SPO) played a key role in identifying CSO experts. In planning each CSO forum, NDI met with SPO, discussed issues prioritized by each PWG, and brainstormed potential CSOs. SPO then contacted identified CSOs, briefed them on the work of the PWGs, and invited them to the relevant PWG meeting. Lists of identified CSOs were shared with PWG members for approval prior to finalizing invitations.

Regarding the follow-up meetings between PWGs and the Subject Matter Experts (SMEs) and/or CSOs, the standard operating procedures of the PWG forums facilitate follow-up contact between participants and presenters. The PPDP team facilitates these connections by providing PWG members with the contact information and references for the SMEs and the CSOs. Again, this is a standard practice that has facilitated interaction between PWGs members and the SMEs and CSOs after the forums. For example, the ANP consulted the Bacha Khan Trust, one of the CSOs presenting at the forum, and utilized their research materials in crafting a policy proposal. Similarly, the MQM contacted the University of Karachi's statistics department and requested their assistance in analyzing data. The ANP, NP and PPP separately contacted the Aurat Foundation, the Human Rights Commission of Pakistan and the Pakistan Institute for Labor, Education and Research to ask their assistance and gain access to research relevant to their policy development. The NP also connected with Dr. Kaisar Bengali, chief economist of the Baluchistan government, to consult with him and later they invited him to attend their policy conference. These follow-up meetings and contacts all occurred between PWG participants and CSOs/SMEs that presented at the PWG forums.

In view of the above, the Mission reports that the required final action has already been taken and hence requests closure of this recommendation upon issuance of the final audit report.

Recommendation No. 4 We recommend that USAID/Pakistan, with the National Democratic Institute, identify and document the skills and experience necessary for members of research units and policy working groups; the relevant selection standards; and the procedures political parties will use to identify, select, and recruit qualified participants.

<u>Management Comments</u>

The Mission agrees with the recommendation. The program team has developed a written document outlining the selection process for members of research units and policy working groups, including selection criteria. The "Program Participation Policy and Terms of Reference," Attachment 6, was written in June 2015 and was based on the terms of reference for program participation that were initially developed in April of 2014. PPDP shared the terms of reference for each type of program engagement with the participating political parties to identify candidates that meet or exceed the established criteria. The program also shared the terms of reference with individuals participating in PPDP activities to ensure that they were aware of their role in the activities and what was expected from them.

In view of the above, the Mission reports that the required final action has already been taken and hence requests closure of this recommendation upon issuance of the final audit report.

Recommendation No. 5 We recommend that USAID/Pakistan, with the National Democratic Institute, implement a written plan to facilitate coordination between research units and policy working groups and share event schedules with them well in advance.

<u>Management Comments</u>

The Mission agrees with this recommendation. A written plan on coordination between PWG and research unit activities is attached as Attachment 7. The coordination plan was prepared in June 2015. In the program's first cycle, five of the parties chose to nominate individuals (one person per party) that participated in both the PWG and the Research Training Academy (the base for the party research units). Those individuals then provided a reporting and coordinating role to share information between the two groups. This overlap between the two groups assisted the parties in bringing research and skills to the PWG and ensured that research unit members were aware of ongoing efforts in the policy development process. To further facilitate coordination, in Year Four of the program, the PPDP team asked each participating political party to select two members to participate in both the PWGs and the research units, serving as liaisons and ensuring communication between the two groups.

 In view of the above, the Mission reports that the required final action has already been taken and hence requests closure of this recommendation upon issuance of the final audit report.

Recommendation No. 6 We recommend that USAID/Pakistan, with the National Democratic Institute, implement a plan to obtain leadership commitment from each participating political party, clarify expectations and responsibilities, and focus the program on parties that are fully committed.

Management Comments

The Mission agrees with the recommendation that a plan to secure leadership commitment from each participating political party is very important to ensure consistent participation in program activities. Infact, such a strategy existed from the beginning of the project. From the very beginning of the program, the PPDP team implemented a strategy to secure leadership commitment from each participating party. During the initial months of the program, the program team met with the senior leaders of Pakistan's political parties to describe the PPDP program, invited them to participate, and obtained their input and feedback in program design. As each party leader agreed to participate in the program, they appointed party liaisons to work directly with the PPDP team throughout the program on preparing activities, coordinating participants and handling internal party communications. During the OIG audit period, and to the present day, all 10 participating parties have maintained party liaisons. The parties have completed the first cycle and are now undergoing the program's second cycle. The continued dedication of a liaison and the participation of party members in PPDP activities are indication of a consistent commitment from each of the participating parties to PPDP. Ideally, the program team would have captured the political parties' commitment in an MOU, however, given the unlikelihood of political party leadership signing a document committing them to the program, the program team decided to proceed with verbal commitment from party leaders and took the dedication of the necessarily resources as evidence to their commitment to the program.

To ensure that party leaders and members fully understood responsibilities of program participation, the program team developed TORs for participants of each program activity. These were shared during Year 4 of the program with party liaisons and program participants. See Attachment 6, the Participation Policy and TORs. A sample of the program introduction letter sent to the party's most senior leader is attached as Attachment 8.

In view of the above, the Mission reports that the required final action has already been taken and hence requests closure of this recommendation upon issuance of the final audit report.

Recommendation No. 7 We recommend that USAID/Pakistan, with the National Democratic Institute and the International Republican Institute, determine and document whether to continue program support and activities for the Institute for Public Opinion Research or to put the remaining funds to better use.

Management Comments

The Mission agrees with the recommendation in principle, however, the Mission notes that the Institute for Public Opinion Research (IPOR)'s role in the program and its capacity, as an independent research entity, has greatly increased since the beginning of PPDP. Since the start of the program, IPOR, with support from the International Republican Institute (IRI), has significantly increased its technical,

commercial and administrative capacity. By the end of Year Four of the program, IPOR has many new clients, and its financial dependence on IRI funding (through a sub-grant) has vastly diminished. Apart from the actual costs for research projects, IRI currently covers only 20 percent of salaries for five core IPOR staff (a reduction from 100 percent in Year One) as well as a few administrative costs related to the IRI-funded activities (i.e., bank transfer fees and audit fees). Through other financial sources, IPOR is currently able to cover the full cost of its office space as well as five additional employees. Since the beginning of PPDP, IPOR has conducted 139 major research projects outside of PPDP-polls. Such revenue-generating activities outside of the program, has reduced IPOR's reliance on PPDP funding. IPOR's clients include political parties, international pollsters and government agencies within and outside Pakistan. In Year Five of the program, IRI envisions that it will no longer need to provide IPOR with any financial assistance—that IPOR will be a financially independent and successful company in the Pakistani market. With guidance from the IRI team, IPOR has honed its financial practices and capable of managing its financial systems to meet the demands of various donors. Based on the above, the technical office has determined to continue working with IPOR.

In view of the above, the Mission reports that the required final action has already been taken and hence requests closure of this recommendation upon issuance of the final audit report.

Recommendation No. 8 We recommend that USAID/Pakistan, if it decides to continue supporting the Institute for Public Opinion Research, work with the National Democratic Institute and the International Republican Institute to implement a corrective action plan to address the slow progress in providing capacity building to the Institute for Public Opinion Research.

Management Comments

The Mission agrees with this recommendation in principle. As explained in response to recommendation no. 7 above, the Mission has decided to continue working with IPOR and reports that in the second half of 2015, IRI will commission a third-party evaluation of IPOR's organizational capacity. This evaluation is detailed in the Draft Year Five Work Plan, Attachment 1. Based on this review, IRI will determine if further training is necessary. The Mission expects to complete the related final action by October 31, 2015.

In view of the above, the Mission requests OIG's acknowledgement that a management decision has been reached.

Recommendation No. 9 We recommend that USAID/Pakistan require the National Democratic Institute to reassess and document the capabilities of Strengthening Participatory Organization and determine how to effectively involve it in the program.

Management Comments

The Mission agrees with this recommendation and reports that the PPDP team has already assessed the role of Strengthening Participatory Organization (SPO) within PPDP. In Year Three of the program, based on the exchanges with parties following the multiparty CSO forums, the civil society and expert engagement component was adjusted and conducted on an individual party basis. As the parties' PWGs

took greater levels of responsibility and proceeded to conduct their own outreach to CSOs, they assumed the role that SPO was contributing to PPDP (see response to Recommendation 3). Given this evolution, NDI determined that it was not necessary to renew SPO's sub-grant for the program's second cycle.

In view of the above, the Mission reports that the required final action has already been taken hence requests closure of this recommendation upon issuance of the final audit report.

Recommendation No. 10 We recommend that USAID/Pakistan determine the allowability of, and recover from the National Democratic Institute as appropriate, ineligible questioned costs of $138,375.

Management Comments

The Mission agrees to investigate further to determine whether payments made by NDI to SPO are allowable. The Mission expects to complete its investigation and issue a final determination on the allowability of the identified questioned cost by December 31, 2015.

Recommendation No. 11 We recommend that USAID/Pakistan develop a plan to conduct regular site visits or alternatives to provide adequate oversight of the program if site visits are not possible, and document the results.

Management Comments

The Mission agrees with this recommendation. USAID has devised a plan to regularly conduct and document site visits to provide adequate oversight of the program. Please see attached Attachment 9.

USAID will work with the PPDP team to identify at least one program activity per quarter in which a USAID representative will participate and document the findings and observations in a site visit report. To facilitate communication, the PPDP team sends USAID a weekly activity tracker, which lists all activities completed and planned. USAID and the PPDP team will also have regular management meetings to discuss program activities and implementation. These meetings will take place no less than once a month. Combined, the field visit reports and the management meeting will help assess the quality of the program activities and identify any issues with the program implementation. The site visit reports and meeting minutes will be added to the program files.

In view of the above, the Mission reports that the required final action has already been taken and hence requests closure of this recommendation upon issuance of the final audit report.

Recommendation No. 12 We recommend that USAID/Pakistan work with the National Democratic Institute to develop an action plan to strengthen controls over performance data collection and reporting including supervisory review of the data prior to submission to USAID/Pakistan.

Management Comments

The Mission agrees with this recommendation and reports that in June 2015 NDI developed a Data Quality Assurance Plan that puts in place stricter controls for data collection and reporting. Following the audit, methods for ensuring quality data were strengthened. These are described under Attachment 10 Data Quality Assurance Plan. The Mission will review Attachment 10 and will document concurrence or any needed changes to the proposed Data Quality Assurance Plan by October 31, 2015.

Recommendation No. 13 We recommend that USAID/Pakistan require the National Democratic Institute to have the Institute for Public Opinion Research undergo an audit of fiscal year 2013 expenditures in compliance with the Office of Inspector General's Guidelines for Financial Audits Contracted by Foreign Recipients.

Management Comments

The Mission agrees with this recommendation. As noted at the time of the OIG review, IPOR had not undergone such an audit. IRI has since worked with IPOR to rectify this issue and has assisted IPOR with identifying USAID-approved firms and the selection of an auditor through an RFP process. IPOR has since commissioned an audit to fulfill this requirement. The audit will cover the Fiscal year 2013. Please see the audit engagement letter, Attachment 11.

In view of the above, the Mission reports that the required final action has already been taken hence requests closure of this recommendation upon issuance of the final audit report.

Recommendation No. 14 We recommend that USAID/Pakistan require the National Democratic Institute to modify agreements with the International Republican Institute and the Institute for Public Opinion Research to include the standard audit provision.

Management Comments

The Mission agrees with this recommendation and reports that language for the standard audit provision is already in the agreement between NDI and IRI and will work to ensure that the agreement between IRI and IPOR is appropriately updated to include the required specific audit provision, per ADS 591.3.2.1. Please see Attachments 12 and 13 for copies of the agreements.

The Mission will provide NDI with the correct specific audit provision language to incorporate into the agreements between IRI and IPOR and ensure that agreement modification is completed by December 31, 2015.