



OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

USAID'S Pakistan Education Program Aligned With U.S. Strategy, But Insufficient Oversight Could Impede Accountability for Results

AUDIT REPORT 5-391-20-001-P
July 22, 2020

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MEMORANDUM

DATE: July 22, 2020

TO: USAID/Pakistan, Mission Director, Julie A. Koenen

FROM: USAID OIG Asia Regional Office Audit Director, James C. Charlifue /s/

SUBJECT: USAID's Pakistan Education Program Aligned With U.S. Strategy, But Insufficient Oversight Could Impede Accountability for Results (5-391-20-001-P)

This memorandum transmits the final report on our audit of USAID's education program in Pakistan. Our audit objectives were to (1) determine whether USAID's Pakistan education program links to a strategy that advances U.S. development objectives in Pakistan and (2) assess USAID's oversight of its Pakistan education program to ensure timely and impactful results. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in appendix B.

The report contains five recommendations aimed at improving USAID's oversight of its Pakistan education program going forward. After reviewing information you provided in response to the draft report, we consider one recommendation closed (recommendation 2) and four resolved but open pending completion of planned activities (recommendations 1, 3, 4, and 5).

For recommendations 1, 3, 4, and 5, please provide evidence of final action to the Audit Performance and Compliance Division.

We appreciate the assistance you and your staff extended to us during this audit.

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INTRODUCTION

In 2018 Pakistan ranked 150 out of 189 countries in the United Nation’s Human Development Index, which takes into account access to knowledge along with life expectancy and standard of living. Pakistan has long struggled to provide a national education system that meets the needs of its citizens. In 2017, the adult literacy rate in Pakistan—59 percent—was among the lowest in a group of 120 countries surveyed,¹ and in 2018 UNESCO reported the number of out-of-school youth of primary and secondary school age to be 19.5 million, of which over 55 percent were female.

To advance a stable, prosperous, and democratic Pakistan, the United States has invested in USAID’s Pakistan programs in five areas: energy, economic growth, resilience, education, and health. Since 2005 USAID has obligated more than \$840 million to help improve education in Pakistan—a critical component that is intended to achieve USAID’s development goals in Pakistan and to advance the U.S. Government’s broader national security interests in Southern Asia.

We conducted this audit to (1) determine whether USAID’s Pakistan education program links to a strategy that advances U.S. development objectives in Pakistan and (2) assess USAID’s oversight of its Pakistan education program to ensure timely and impactful results.

To conduct our work, we reviewed mission documents related to Pakistan’s country strategy, education program, and related projects that were in place between September 2011 and September 2019.² We selected the four largest active projects in the mission’s education program for the focus of our audit, representing 98 percent of the mission’s active education program budget as of June 2019. We selected 71 of the 1,058 discrete activities implemented by these four projects for further analysis of strategic alignment and USAID oversight. We also interviewed officials from USAID/Pakistan, USAID’s Office of Afghanistan and Pakistan Affairs, the U.S. State Department, the Government of Pakistan, and United Nations agencies and other donors. We performed 59 site visits during which we met with implementers, beneficiaries, and other stakeholders of the selected education projects. We conducted our work in accordance with generally accepted government auditing standards. Appendix A provides details of our scope and methodology.

¹ United Nations Educational, Scientific, and Cultural Organization (UNESCO) data for Sustainable Development Goals, 2017 data for Pakistan education and literacy, <http://uis.unesco.org/en/country/pk>, accessed February 27, 2020.

² In this report, we refer to USAID/Pakistan’s education program, projects within that program, and activities that the projects carry out. Our use of these terms may vary from technical distinctions between “programs,” “projects,” and “activities,” as defined in USAID’s Automated Directives System (ADS), chapter 201, “Program Cycle Operational Policy.” We have determined that any variances do not affect our findings or recommendations.

SUMMARY

USAID/Pakistan's education program aligned with the United States' broader strategy for promoting a healthier and better educated population to encourage stability in the region, combat terrorism, and support a secure, economically vibrant, and stable Pakistani democracy. The program aimed to improve opportunities for learning and work in the country through strengthened access to education, quality of education, and accountability in education. Within the program, projects and activities were designed to increase school enrollment, increase reading skills and fluency, help graduates obtain jobs, and otherwise focus on drivers of increased educational access, quality, and accountability. With the release of a new Country Development Cooperation Strategy in July 2018, education projects and activities continued to be oriented to facets of the strategy, reflecting the type of strategic alignment necessary to enhance the contribution that on-the-ground activities can make to progress.

However, the mission did not fully use several key mechanisms that USAID policy calls for to oversee its education program, to help assess and adapt projects before they get off track. Specifically:

- While the mission regularly conducted site visits for the school construction component of an education project we reviewed, over a 2.5-year period only 6 site visits were conducted for over 3,200 sites where non-construction activities were taking place. Some site visits for the reviewed education projects could not be verified because mission personnel did not document them. During the course of our audit, the mission issued enhanced site visit guidance.
- The mission did not fully use or follow up on progress reports and portfolio reviews.
- USAID/Pakistan did not measure progress toward two-thirds of its education program performance targets, potentially further limiting the mission's ability to make course corrections as well as raising questions about the overall success of its education program.
- The mission's and implementers' staffing gaps caused delays in some projects and hindered the mission's efforts to oversee its education program. For example, insufficient staffing at the government offices responsible for awarding and overseeing one project's school construction contracts, and for managing the constructed schools, diminished the mission's ability to complete school construction on time.
- The mission's review of the independent cost estimate for school construction under the Sindh Basic Education Program was insufficient to identify potential unallowable costs that were included in the estimates.

We made five recommendations aimed at improving USAID's oversight of its Pakistan education program going forward. The Agency concurred with the recommendations.

BACKGROUND

Pakistan plays a crucial role in the United States' long-term national security interests in Southern Asia. To advance a stable, prosperous, and democratic Pakistan, the United States has invested over the past decade nearly \$7.7 billion in USAID's Pakistan programs in five areas: energy, economic growth, resilience, education, and health. In the area of education, USAID has obligated more than \$840 million over the past 15 years.

The Government of Pakistan attributes the country's poor education system to several factors, including poverty, terrorism and insecurity, and natural disasters. In addition, its education system is plagued by poorly trained, overburdened, and uncommitted teachers, weak governance, and insufficient investment in education, which was 2.9 percent of the gross domestic product³ compared to an average of 3.93 percent by other Asian countries in 2017.⁴

To help address these weaknesses, USAID/Pakistan has focused on improving opportunities for learning and work by:

- enrolling out-of-school children and reducing dropout rates;
- improving literacy outcomes in early grades;
- improving teaching and research at higher education institutions in key sectors, and creating research initiatives to be used by the market; and
- improving access to higher education through scholarships and exchange programs, and enhancing skills for the higher education workforce.

The mission aims to achieve these outcomes through its education program, which includes four flagship education projects: the Sindh Basic Education Program (SBEP); Pakistan Reading Project (PRP); Centers for Advanced Studies Project (CAS); and Merit and Need Based Scholarship Program (MNBSBSP). As of June 2019, these four projects made up 98 percent of the mission's active education program budget (see table 1).

³ UNESCO data for Government Expenditures on Education, <http://uis.unesco.org/country/PK>, accessed March 6, 2020.

⁴ TheGlobalEconomy.com data for Education Spending in Asia, https://www.theglobaleconomy.com/rankings/education_spending/Asia/, accessed March 6, 2020.

Table 1. Objectives and Funding (in Millions) for Reviewed Projects in USAID’s Pakistan Education Program, as of June 30, 2019

Objectives, Start and End Dates	Funding		
	Budgeted	Obligated	Disbursed
Sindh Basic Education Program, 2011-2021			
Construct up to 120 schools; improve early grade reading in primary schools; support community mobilization activities, with a focus on increasing girls’ enrollment; and provide technical assistance to the Provincial Department of Education. (Initiated in response to the 2010 floods that destroyed or damaged thousands of schools in Pakistan.)	\$139.5	\$136.9	\$108.9
Pakistan Reading Project, 2013-2020			
Support public schools throughout Pakistan to improve reading skills of 1.3 million children in grades 1 and 2.	\$164.7	\$140.8	\$130.4
Centers for Advanced Studies Project, 2014-2019			
Connect three U.S. universities with expertise in energy, agriculture, and water with four Pakistani universities to modernize curricula, conduct quality research, conduct graduate and post graduate training, and promote program sustainability through public and private sector links.	\$72.6	\$70.6	\$52.9
Merit and Need Based Scholarship Program, 2013-2020			
Enable academically qualified Pakistani students who are in financial need to pursue university studies in selected private and public universities in the country.	\$33.7	\$33.7	\$23.9
Total	\$410.5	\$382	\$316.1

Source: USAID/Pakistan’s Pipeline Report, June 2019.

The mission’s Office of Education is primarily responsible for overseeing the four selected projects, with the mission’s Office of Infrastructure and Engineering overseeing SBEP’s school construction component. The mission’s Office of Program Management and the Mission Director’s Office provide guidance on oversight. In Washington, DC, USAID’s Office of Afghanistan and Pakistan Affairs provides strategic leadership, program oversight, and technical support to the mission.

USAID uses various mechanisms to fund the projects (see table 2).

Table 2. Funding Mechanisms and Amounts for Reviewed Projects in USAID’s Pakistan Education Program, as of September 2019

Project Components	Funding Mechanism	Funding (millions)
Sindh Basic Education Program^a		
Construction of 120 schools by the provincial Government of Sindh	Fixed amount reimbursement under a government-to-government activity agreement	\$81.0
Architecture and engineering support	Third-party contracts	\$13.7
Project monitoring	Third-party contracts	\$2.6
Build capacity in the Project Management Implementation Unit (the provincial government office that oversees the construction)	Third-party consultant	\$4.4
Sindh Reading Project to improve early grade reading in primary schools	Contract with Chemonics	\$24.6
Sindh Community Mobilization Program to sustain community mobilization and school-based management through the engagement of the private sector	Contract with International Relief and Development	\$23.0
Pakistan Reading Project		
Support local government’s provincial and regional departments of education in Pakistan to improve primary-grade reading skills across the country	Agreement between the International Rescue Committee and USAID/Pakistan	\$164.7
Centers for Advanced Studies Project		
Modernize university curricula, conduct joint research, and foster student and faculty exchanges with U.S. universities in the fields of energy and water	Cooperative Agreement with Mehran University of Engineering and Technology	\$14.8
	Cooperative Agreement with National University in Science and Technology	\$15.0
	Cooperative Agreement with Peshawar University of Engineering and Technology	\$14.9
Strengthen the capacity of Pakistan universities to respond to changing public and private sector needs for applied research and skilled graduates in the sectors of food security/ agriculture, water, and energy	Cooperative Agreement with Arizona State University	\$17.9
	Cooperative Agreement with University of Utah	\$10.0
Merit and Need Based Scholarship Program		
Provide scholarships that would enable qualified Pakistani students who are in financial need to pursue higher education in selected public and private universities in the country	Activity agreement between the Government of Pakistan’s Higher Education Commission and USAID/Pakistan	\$36.2

^a Funding amounts for SBEP include around \$10 million in historic funding for completed components; these historic funds are not included in USAID’s SBEP current funding as of June 2019.

Source: Agreement and contract documentation provided by USAID/Pakistan.

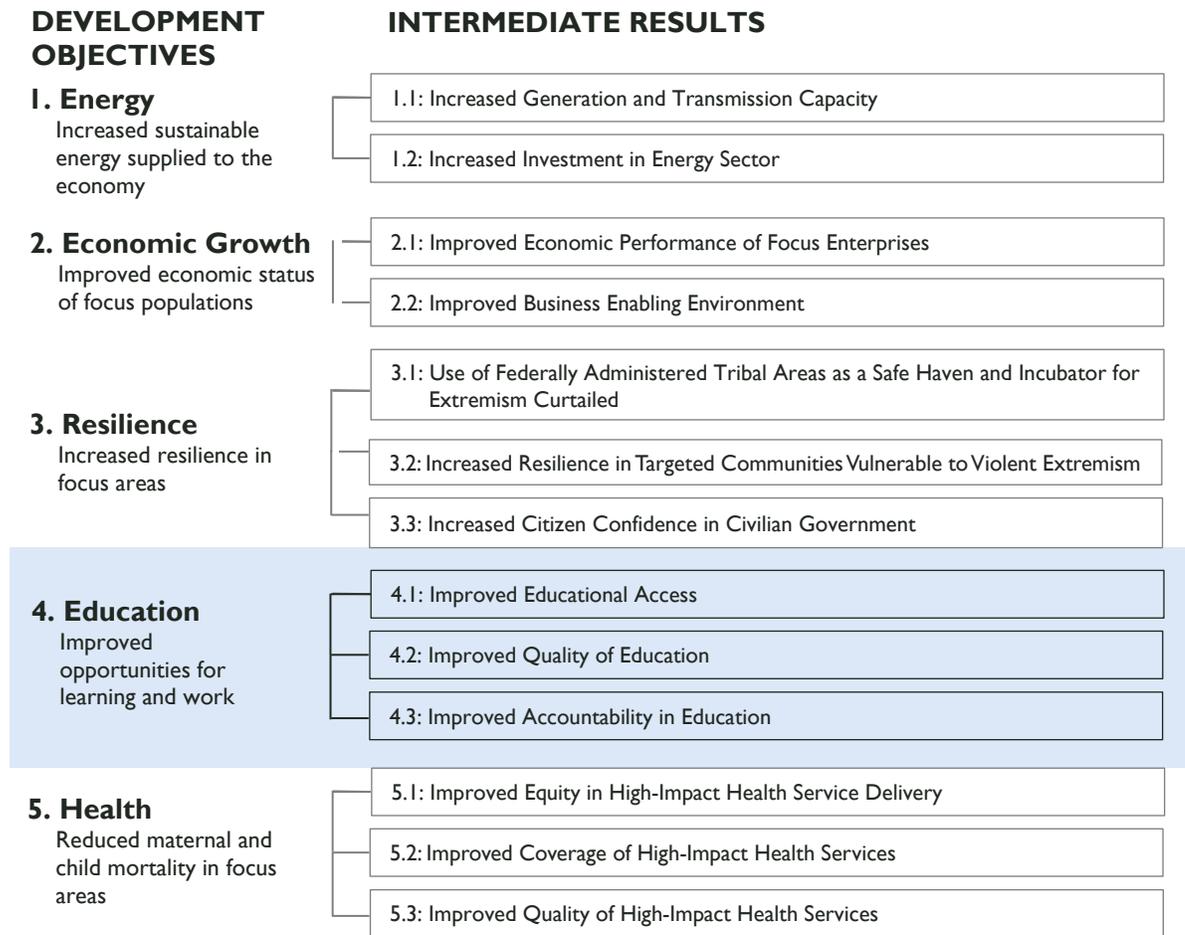
USAID’S EDUCATION PROGRAM ALIGNED WITH U.S. STRATEGY TO ADVANCE PAKISTAN DEVELOPMENT

We found that USAID/Pakistan’s education program was linked to a broader U.S. strategy for promoting a healthier, better educated, and more skillful workforce in the country. The U.S. mission to Pakistan’s ultimate aim, according to its Integrated Country Strategy, is to encourage stability in the region, combat terrorism and extremism, and support a secure, economically vibrant, and stable Pakistani democracy. This strategy consists of several complementary documents developed by USAID/Pakistan and the U.S. State Department, as well as the Enhanced Partnership with Pakistan Act (EPPA) passed by Congress in 2009.⁵ More specifically:

- EPPA played a pivotal role in structuring the mission’s assistance. EPPA included educational priorities such as strengthening core curricula and improving the quality of schools in Pakistan, with the intention of improving young Pakistanis’ futures and curbing incitement to violence and intolerance.
- The U.S. Department of State Strategy (2009), Pakistan Enhanced Partnership Agreement (2010), and State Department Strategy Papers (2011) collectively helped shape USAID/Pakistan’s strategic framework for 2013 to 2018 (see figure 1 on the following page). The framework included an education development objective and three associated intermediate results to contribute to the mission’s overarching goal of increasing stability, democracy, and prosperity in Pakistan.

⁵ Public Law 111-73.

Figure 1. USAID/Pakistan’s Strategic Framework for Achieving Increased Stability, Democracy, and Prosperity, 2013-2018



Source: USAID/Pakistan Strategic Framework, 2013–2018.

In addition, we found that the 71 discrete activities we selected (out of 1,058 discrete activities implemented by the four projects we reviewed) supported the mission’s intermediate results for education, demonstrating alignment between on-the-ground activities and the country-level strategy. For example:

- SBEP activities targeting primary, middle, and secondary schools were designed to increase the number of out-of-school children who were newly enrolled and to decrease school drop-out rates (linking to improved educational access).
- SBEP and PRP activities were designed to improve the reading skills and fluency of students (linking to improved quality of education).
- CAS and MNBSP activities targeting higher education were designed to (1) develop U.S.-host country joint development research projects; (2) help graduates from U.S. Government-assisted programs obtain jobs (linking to improved teaching and research at higher education institutions in key sectors); and (3) enable academically

qualified yet financially disadvantaged students to study in public and private institutions (linking to reduced socioeconomic barriers to schooling).



USAID/Pakistan's Pakistan Reading Project provided books to a school in Muzaffarabad to promote reading for early grade students. Photo: OIG (May 24, 2018)

In August 2018, USAID finalized a Country Development Cooperation Strategy (CDCS) for Pakistan, which superseded USAID/Pakistan's strategic framework. According to the mission the overarching goal of the 5-year CDCS is to achieve a more stable, peaceful, and prosperous Pakistan. The CDCS has three development objectives: (1) expand writ of government along the Afghanistan-Pakistan border region, (2) more peaceful communities in key areas, and (3) increase private sector-led inclusive economic growth. The CDCS also included an objective to strengthen global health security capacities in Pakistan.

While the CDCS does not have an education-specific development objective, the mission's education program remained consistent with the prior strategic framework. In particular, the mission stated that its education program supports all three CDCS objectives, noting that education activities will move away from large-scale activities to target specific geographic areas. The mission also plans to move away from large school construction activities and focus more on private sector and community engagement programs. Moreover, the four education projects and 71 discrete activities that we

reviewed had been implemented under the prior strategic framework and did not need adjustment to align with the CDCS goal and objectives, according to mission staff.

USAID DID NOT FULLY USE KEY MECHANISMS TO OVERSEE ITS EDUCATION PROGRAM

While USAID’s education program aligned with U.S. development strategy for Pakistan, the mission’s oversight efforts were lacking in certain areas. USAID policy calls for effectively monitoring and measuring progress to promote accountability, help assess and adapt programs before they get off track, and inform sound decisions about current and future programming.⁶ Yet, the mission had not fully used several key oversight mechanisms. Specifically, we identified weaknesses in how USAID conducted site visits, used and followed through on the results of program reports, and measured program performance. Staffing gaps contributed to delays and further hindered USAID’s oversight of the four education projects we reviewed. In addition, the mission did not identify potential unallowable costs during its review of the independent cost estimate for school construction under one project we reviewed.

Mission Guidance for Conducting and Documenting Site Visits Was Insufficient

Agency guidance considers site visits a necessity for activity monitoring.⁷ Given the unstable security environment in Pakistan, the inability of mission personnel to freely conduct site visits, and short rotations of USAID personnel, which typically last 1 year, in 2015 the mission put in place PERFORM, a \$96 million contract for third-party monitoring services such as site visits, assessments, and evaluations. Lack of sufficient mission-specific guidance on site visits has been a challenge for USAID/Pakistan that we reported in 2016.⁸

At the time of our audit testing, we found that USAID/Pakistan had not developed adequate guidance for conducting or documenting site visits or for using third-party monitors. Interviews with mission staff and reviews of site visit documentation indicated a wide range of understanding of what constituted a site visit, how frequently they needed to be conducted, and how visits needed to be documented. In particular, mission officials responsible for overseeing the education program identified a general lack of understanding of and reluctance to use PERFORM for conducting site visits. According to the education office director in place at the time of audit fieldwork, mission employees were reluctant to use PERFORM to conduct site visits because they

⁶ ADS chapter 201.3.1.3, section D, “Monitoring.”

⁷ ADS chapter 201.3.4.10, section B.1, “Monitoring,” states that site visits are performed to “provide activity oversight, inspect implementation progress and deliverables, verify monitoring data, and learn from activity implementation.”

⁸ USAID OIG, “Competing Priorities Have Complicated USAID/Pakistan’s Efforts To Achieve Long-Term Development Under EPPA” (G-391-16-003-P), September 8, 2016.

thought PERFORM was too slow and may not have the overall program knowledge to provide useful site visit information.

Consequently, USAID/Pakistan's site visit oversight for its education program was inconsistent and, in some cases, limited for the period we tested.⁹ For example, under SBEP, USAID/Pakistan conducted 116 regular, well-documented site visits for the school construction component, but visited only 6 of more than 3,200 non-construction activity sites during the same period. Similarly, under PRP for the same time period, the mission conducted and properly documented visits to 5 of more than 13,700 school and university sites where activities were being implemented. For CAS the mission conducted 6 visits to 5 sites where over 129 activities were being implemented over a 2-year period. For MNBSP the mission conducted 35 site visits during the testing period, 30 of which were conducted by PERFORM. In some instances, reported site visits could not be verified because mission personnel did not provide documentation of the visits. In other instances mission staff considered any type of review they performed on an activity as a site visit. In one case a mission employee incorrectly considered routine meetings with implementers as site visits, despite no project activities taking place or being observed. Further, according to USAID/Pakistan officials and the third-party contractor, USAID/Pakistan rarely used the PERFORM contract for its education program, tapping into third-party site visits for just one of its four major education projects. Finally, we noted that information in the mission's PakInfo system—where staff were required to upload site visit documentation—was incomplete for the period tested. For example, documentation for less than half of the site visits the mission tallied between January and March 2018 had been uploaded into PakInfo as required.

Our audit site visits illustrate the importance of going to the field for first-hand observation. At two CAS centers, for example, we observed that some of the \$11.4 million worth of USAID-funded lab equipment was not being used because staff had not been trained to operate it. In addition, during our site visits to PRP schools and followup telephonic interviews, we noted that over half of the tablets (23 of 40 tablets) provided to teachers had stopped working and the teachers were no longer using them. This raised larger questions about the 27,100 tablets the program had distributed for \$4.2 million. Without more frequent and verifiable site visits and reliable documentation practices, USAID/Pakistan may have missed opportunities to verify reported progress of its education program, learn lessons from activity implementation to inform future programming, and make course corrections as needed.

This occurred because USAID/Pakistan's mission order governing site visits did not provide sufficient guidance to supplement Agency-wide policy. For example, the mission order in place from April 2017 to July 2019 required managers and their representatives to conduct regular site visits to observe program activities firsthand—specifically, inspect progress and deliverables, verify monitoring data, and learn from activity implementation—and to document their site visits, but it did not include information detailing what constitutes a site visit, the manner and frequency that site

⁹ Our testing included site visits conducted between January 2016 and June 2018 for the four selected projects.

visits should be conducted, and how to address identified issues.¹⁰ It also did not speak to the use of third-party monitors, which was a critical tool for USAID/Pakistan’s program oversight.

Subsequent to our audit testing, USAID issued additional Agency-wide site visit guidance in May 2019, and USAID/Pakistan updated its site visit mission order in July 2019.¹¹ We make no recommendations at this time because the new mission order clarifies requirements, in the context of USAID/Pakistan, for determining the number and frequency of site visits, documentation requirements, and use of third-party monitors.



CAS records indicated that some equipment purchased through the program—such as this computer-controlled flow channel, which is used for hydraulic model studies—was not being used due to students’ and lab technicians’ lack of technical knowledge on how to use it. Photo: OIG (May 3, 2018)

The Mission Did Not Fully Use or Follow Up On Progress Reports and Portfolio Reviews

The mission employs several sources of information to oversee its education program. These include Quarterly Progress Reports (QPRs) and portfolio reviews which aim to identify and remedy challenges, assess progress in achieving results, and provide accountability for the use of resources. However, USAID/Pakistan had not consistently

¹⁰ Mission Order 200.1, Performance Monitoring, Annexure 3, “Standard Operating Procedures for Site Visit Reporting,” April 11, 2017.

¹¹ USAID “How-To Note: Planning and Conducting Site Visits,” version 1, May 2019. Mission Order 200.1, Performance Monitoring, July 19, 2019.

used or followed up on the information from these tools to help ensure accountability for results.

- *QPRs.* According to mission award documents for the four projects we reviewed, implementers' QPRs—a key tool to identify challenges and track their resolution—should (1) describe and assess overall progress to date and key accomplishments during the quarter and (2) identify key challenges and suggestions for future courses of action. However, none of the 90 QPRs that we reviewed for the four projects provided followup information on challenges identified in prior reports.¹² Omission of this information makes it more challenging for the user of the QPR to determine whether previously reported challenges have been fully resolved. Moreover, 36 of the 39 issues identified in the reviewed QPRs remained unresolved as of May 2019.

Agency policies on performance monitoring lacked details on what actions mission staff should take to ensure implementers comply with QPR reporting requirements detailed in individual agreements and contracts.¹³ As a result, it can be difficult for mission staff to hold implementers accountable when they fail to list current issues and challenges, and to report on actions taken to address concerns identified in prior reports. For example, over a 2-year period (July 2016 to June 2018), over 75 percent of the QPRs reviewed under the CAS program did not highlight existing program challenges.

- *Portfolio reviews.* Portfolio reviews are meant to document expected and actual progress toward achieving the mission's education strategy and program results. A key element of these reviews is an assessment of the status of critical assumptions.¹⁴ According to USAID policy on portfolio reviews, missions should (1) discuss critical assumptions for each development objective and determine if these assumptions are still valid, (2) identify any additional factors to consider, and (3) propose needed changes to portfolio initiatives based on their findings.¹⁵ In short, portfolio reviews provide an opportunity to adapt as a result of learning.

According to mission officials, critical assumptions are discussed during their reviews of the Pakistan education program. Regardless, two critical assumptions turned out to be inconsistent: the host government's willingness to undertake reforms, and the limited effect security challenges would have on implementation and supervision. According to the mission, the outcome of such assumptions is largely beyond the control of the mission. We found that discussions of the assumptions were not documented in the mission's portfolio reviews conducted in February 2016, October 2017, and February 2018.

Further, contrary to the mission order, USAID/Pakistan did not have a formal system

¹² The period we considered for reviewing the QPRs ranged from January 2016 to June 2018.

¹³ ADS 201, "Program Cycle Operational Policy," August 2018, and Mission Order 200.1, "Performance Monitoring," April 2017.

¹⁴ Critical assumptions are general conditions that are outside the control or influence of USAID and under which a strategy for achieving an objective will hold true.

¹⁵ ADS chapter 201.3.2.18, section A, "Portfolio Reviews."

to track the issues and challenges identified in the portfolio reviews.¹⁶ Mission officials acknowledged that after the audit team inquiry they developed a formal system that allows them to follow up on issues and challenges identified in the portfolio review.

Progress Toward Two-Thirds of the Mission’s Education Performance Targets Had Not Been Measured

Performance measurement is a key element of effective oversight. According to Agency guidance, establishing program targets helps missions and stakeholders determine if programs are making progress toward achieving expected results. Having ambitious but achievable targets and measuring progress against those targets enables managers to make adjustments when necessary to stay on track.¹⁷ To measure progress toward achieving the three intermediate education results in its prior strategic framework—improved educational access, improved quality of education, and improved accountability in education—USAID/Pakistan established 12 performance targets. As of September 2019, the mission reported that it had measured 4 of the 12 targets but had not measured results for the remaining 8 targets (see table 3).

Table 3. USAID’s Key Education Performance Targets in Pakistan, as of September 2019

Performance Targets ^a	Target	Reported Result ^b	Target Status
Improved Education Access			
Number of out-of-school children newly enrolled or re-enrolled in education system with U.S. assistance	392,594	361,662	Measured
Percentage change in drop-out rates in U.S. Government assisted schools	5%	^c	Unknown
Number of individuals who completed workforce development or tertiary education programs	30,730	21,965	Measured
Improved Education Quality			
Percentage of learners who demonstrate reading fluency and comprehension of grade level text at the end of grade 2, with U.S. assistance			Unknown
SBEP Sindh Reading Program	50%	^c	
PRP	23%	^c	
Number of U.S.-host country joint development research projects	83	29	Measured
Number of graduates of associate’s and bachelor’s degree programs in education	9,990	8,461	Measured
Number of primary school students who show improved reading due to U.S. intervention	754,000	^c	Unknown
Improved Accountability			

¹⁶ Mission Order 200.4, Portfolio Review, section B, “Process and Procedures,” November 2014.

¹⁷ USAID supplemental guidance to ADS 201.3.5.7., “Performance Indicator Targets,” November 2017.

Performance Targets ^a	Target	Reported Result ^b	Target Status
Change in percentage of parents who express confidence in the school system in U.S. Government-supported districts	20%	^c	Unknown
Change in percentage of employers expressing satisfaction with U.S. Government-supported graduates			Unknown
CAS National University in Science and Technology	75%	^c	
CAS Peshawar University of Engineering and Technology	55%	^c	
Change in percentage of stakeholders expressing satisfaction with research at U.S. Government-supported universities	40%	^c	Unknown

^aThe mission’s performance targets were established for individual programs, not at an aggregate level.

^bWe did not audit reported numbers.

^cNot measured.

Source: PakInfo.

Non-measured results within the three high-level education outcomes raises concerns about the program’s ability to make any needed course corrections as well as questions about the overall success of the education program. For example:

- Efforts to reduce drop-out rates in U.S. Government-assisted schools will end in June 2020—just a year out from the time the mission continued to lack reported results. The mission noted that these data are difficult or costly to gather and has decided it will not collect them.
- Indicators for the Sindh Reading Program, which ended in December 2018, showed that the reading outcomes as measured by correct words-per-minute did not improve for schools where the Sindhi language was taught and declined where Urdu was taught. However, the mission was not reporting on this indicator. Likewise, the mission stated it was not reporting data against the reading outcome of the Pakistan Reading Program because it could not report one number due to constraints related to sampling: Multiple provinces were sampled and the data cannot be combined into one representative sample.
- The mission did not report on any of the three indicators related to improved accountability in education.

According to mission officials, data for eight indicators were not reported because of difficulty gathering and presenting the data, or uncertainty leading into the CDCS process. The mission determined it would be imprudent to spend the resources collecting data for indicators that might not be valuable for the new strategic focus. However, because the education program and projects we reviewed did not significantly change in the transition to the CDCS, we found that USAID forfeited an important tool for monitoring progress by not collecting the data. Without this performance data, the mission limited its ability to make course corrections and measure the overall success of its education program. Due to the introduction of the CDCS and many of the projects coming to an end, we make no recommendation.

Staffing Gaps Contributed to Program Delays and Hindered the Mission’s Ability To Oversee Its Education Program

Some programs, including SBEP and CAS, experienced significant delays, which had cascading effects on deliverables and costs. Initially SBEP was a 5-year program that started in 2011; however, slow progress of construction activities prevented schools from being completed on time. Through a series of extensions—with the last one signed 8 years after the start of the program—only 57 percent (68) of the 120 initially planned schools had been constructed, and according to the mission staff only 23 of the newly constructed schools were operational as of September 2019. Handover dates for SBEP-constructed schools were delayed by an average of 8 months, with around one-third of the constructed schools taking almost a year to become operational. Additionally, to compensate for the rising cost, the mission reduced the number of schools to be constructed to 106.¹⁸ At the same time, the mission incurred additional costs of approximately \$8.5 million in architecture and engineering and related monitoring services. Furthermore, to continue providing community support services to schools being constructed, the mission extended SBEP’s Community Mobilization Program at a cost of \$4.2 million, an amount that was initially set aside to construct six more schools.

According to mission officials and the provincial government’s Project Management and Implementation Unit (PMIU)—the office responsible for awarding and overseeing SBEP’s school construction contracts—employee turnover and bureaucracy challenges at PMIU diminished its ability to complete SBEP school construction on time. Capacity limitations of the local building contractors further contributed to delays. The Government of Sindh’s Public-Private Partnership Office, which was responsible for managing the constructed schools, also was affected by insufficient staffing that contributed to the delays.

Delays in SBEP implementation persisted, and underlying issues continued to be raised. For example, the implementer’s QPRs we reviewed repeatedly highlighted staffing concerns at the provincial government’s Public-Private Partnership Office, but the problem remained unresolved. Concerns related to the provincial government’s bureaucracy and unwillingness to support program initiatives were also known. At the program level, mission staff struggled with this issue, and the mission was unable to track the issues identified under the portfolio review.

Some similar issues were evident in CAS. Following the departure of the Peshawar University of Engineering and Technology project director in December, CAS was unable to fill the vacated leadership position, which delayed the completion of program activities, course creation for some graduate programs, and hiring of senior faculty. CAS’s progress in establishing national water and energy “policy think tanks,” comprised of prominent figures from the Government of Pakistan, academia, and policy institutes, had not made much progress, even though think tank activities are considered key to CAS’s success. To help sustain the impact of CAS energy in Pakistan, the energy think

¹⁸ The mission could not provide a record of when and why the number of schools to be constructed was reduced.

tank would act as a clearinghouse for policy research and ideas from various stakeholders, partner with the Government of Pakistan to help formulate public policy, and publish quarterly news bulletins to highlight CAS energy research findings. However, a consultant to get the think tank up and running was not hired until October 2017, more than 3 years after the 5-year project started—thereby further delaying its progress.

Furthermore, the mission had persistent vacancies in its education office, meaning fewer people with requisite expertise were available to oversee its education program. At the time of our audit, 5 of 18 technical positions in the mission’s education office were vacant, which according to the mission employees led to staff being overworked. Frequent movement of Foreign Service personnel, who usually hold leadership positions in the education office, and challenges in hiring local staff exacerbated the office’s workload challenges. For example, for about a year SBEP was managed by two technical staff without a permanent supervisor in Karachi where the program is based. As of September 2019, five technical positions in the education office remained unfilled—some since May 2014. Multiple staff told us that those serving as agreement and contracting officer’s representatives in the mission’s technical office expressed feeling overburdened with work.

Insufficient Cost Estimate Reviews for SBEP Led to Potential Overpayment for Taxes and Interest

Effective stewardship of taxpayer dollars requires efficiently managing program costs and safeguarding against waste and loss.¹⁹ Contract arrangements, such as fixed amount reimbursement agreements, can help provide such safeguards.

The mission’s fixed amount reimbursement agreement with the Sindh provincial government for the planned construction of 120 schools was intended to mitigate some risk. Under the agreement, USAID reimburses the Sindh provincial government on completion of an activity or a quantifiable element of an activity, making the provincial government responsible for any and all costs in excess of the fixed amount.

Because the fixed amount is based on a cost estimate, USAID requires that the estimate be developed, including obtaining independent cost estimates, and that the mission carefully reviews the estimate before it is approved.²⁰ Despite the importance of this step, the mission did not properly review the independent cost estimates relating to the \$81 million estimate for the school construction component of the SBEP contract. As a result, under SBEP, the mission agreed to pay taxes and interest it did not have to pay:

- The Pakistan Enhancement Partnership Agreement between USAID and the Government of Pakistan exempts USAID from paying corporate income taxes on

¹⁹ The U.S. Government Accountability Office’s (GAO) “Cost Estimating and Assessment Guide” (GAO-09-3SP, March 2009) stresses the need for agencies to develop processes for making investment decisions that deliver the right amount of funds to the right projects.

²⁰ Mandatory reference for ADS chapter 220, section D.5, “Determination of Project or Activity Payments and Amount of USAID Contribution.”

development programs to the host country government. Nevertheless, all construction awards for SBEP schools included a 6-percent corporate income tax. By including the provision for these taxes in the SBEP cost estimate, USAID ultimately bears responsibility for these taxes. In other words, the mission may have paid up to \$4.86 million (6 percent of \$81 million in total school construction costs) in excess costs in the form of taxes to the Government of Pakistan.

- Selected samples included sales tax—also prohibited under the Pakistan Enhancement Partnership Agreement—ranging from 4.17 percent to 4.36 percent on agreements totaling \$30 million. As a result, the mission may have erroneously paid up to \$1.31 million in general sales tax.
- The architectural and engineering firm’s cost estimates included interest on mobilization advances, which according to the government-to-government mission order issued in June 2015 are not allowed.²¹ The independent cost estimates prepared by the firm did not provide sufficient detail to allow us to determine the specific amounts paid.

Further, the mission did not maintain all documentation regarding its review of the cost estimates of SBEP school construction, as required by Agency guidance.²² For example, the mission did not maintain documentation of how it validated the rates established by its architecture and engineering contractor for its independent cost estimates to verify that the mission paid fair rates for school construction.

As a result, mission staff was unable to explain the reasons for including these costs in the estimates. A major contributing factor cited by staff responsible for conducting the reviews was that the mission has not provided detailed guidance and training on how to review and document cost estimates.

CONCLUSION

Advancing a stable, prosperous, and democratic Pakistan depends on many factors, including creating productive education opportunities for Pakistanis. USAID/Pakistan’s education program aligned with the United States’ broader Pakistan strategy, but the Agency has fallen short in using key oversight mechanisms such as site visits, followup on program reports, cost estimate reviews, and performance measurement to ensure accountability for results. While USAID/Pakistan made some improvements during the course of our audit, such as enhanced site visit guidance, additional actions are needed to improve oversight and help advance U.S. goals of making Pakistani communities more resilient to extremist groups and increasing job opportunities and incomes for all the people of Pakistan. These actions include better recording of program challenges and doing more to ensure effective followup, enhancing guidance for its employees, and correcting problems we identified in specific education projects. Taking these actions

²¹ Mission Order 200.10, “Government-to-Government Assistance,” annex D, June 2015.

²² ADS chapter 300.3.5, “Procurement Action Lead Time,” August 2019.

would provide USAID greater assurance that it is helping to make educational advancements in Pakistan.

RECOMMENDATIONS

We recommend that USAID/Pakistan take the following actions:

1. Implement a plan to ensure education project implementers report in their quarterly progress reports any implementation challenges, followup performed to resolve those challenges, and the current status of the challenges.
2. Implement a system that maintains a record of the mission's portfolio reviews including but not limited to review of the critical assumptions, issues identified, and management's followup of the identified issues.
3. Implement a plan to identify the root causes associated with the lack of capacity of Government of Sindh's education department and local contractors that created major challenges for the construction component of the Sindh Basic Education Program, and implement a plan to address these issues.
4. Implement cost estimate guidelines and training to include detailed guidance on what steps should be followed when reviewing independent government cost estimates under government-to-government programs, including the requirement to document the review. Guidelines should ensure that steps are included for determining the allowability of cost items that the mission should consider while reviewing the independent government cost estimates.
5. Review the independent cost estimates for the Sindh Basic Education Program's school construction component specifically to identify items that are not permitted by the host country agreement and other guidance, reiterate in writing that the unpermitted costs should not be included in cost estimates for future projects, and take appropriate action to recover any unpermitted amounts already paid.

OIG RESPONSE TO AGENCY COMMENTS

We provided our draft report to USAID/Pakistan on April 29, 2020, and on June 26, 2020, received its response, which is included as appendix B. USAID/Pakistan also provided technical comments which we considered and incorporated into the final report as appropriate.

The report included five recommendations and we acknowledge management decisions on all five. We consider one of them closed (recommendation 2) and four resolved but open pending completion of planned activities (recommendations 1, 3, 4, and 5).

APPENDIX A. SCOPE AND METHODOLOGY

We conducted our work from June 2017 through April 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objectives were to (1) determine whether USAID’s Pakistan education program links to a strategy that advances U.S. development objectives in Pakistan and (2) assess USAID’s oversight of its Pakistan education program to ensure timely and impactful results. The audit was conducted in Pakistan at the USAID offices in Islamabad and Karachi and focused on the mission’s education program between September 2011 and September 2019.

As of June 2019, USAID’s Pakistan education program was \$417.5 million. We focused on the four largest active projects in the mission’s education program, which covered \$410.4 million (98 percent of the mission’s education program budget) as of June 2019.²³

<u>Selected Project</u>	<u>Start-End Year</u>	<u>Budgeted</u>
Sindh Basic Education Program	2011-2021	\$139.4
Pakistan Reading Project	2013-2020	\$164.7
Centers for Advanced Studies	2014-2019	\$72.6
Merit and Need Based Scholarship Program	2013-2020	\$33.7

In conducting our audit we held 280 interviews with officials from the mission, implementers, education program beneficiaries, and other key stakeholders such as USAID’s Office of Afghanistan and Pakistan, the U.S. State Department, Pakistan Government officials, civil society organizations, and other donors such as UNESCO, the European Union, the United Kingdom’s Department for International Development, and the World Bank. These interviews provided insight into USAID’s Pakistan education strategy and program oversight and corroborated audit findings and conclusions. We performed 59 site visits where we met with implementers, beneficiaries, and other stakeholders of the four selected education projects to learn about progress and validate data. This included 20 locations visited by an engineering expert and a certified public accounting firm who performed site visits on the audit team’s behalf, due to security restrictions placed by the embassy’s regional security office.

To determine whether USAID’s Pakistan education program links to a strategy that advances U.S. development objectives in Pakistan, we reviewed:

- The agreements and contracts by mapping selected activities for the four education projects to the mission strategic framework to determine how components of each

²³ Two projects accounted for the remaining 2 percent of active Pakistan education programming during the period under review: the Safer Schools Program for \$4.6 million, and the U.S. Science and Technology Cooperation Activity for \$2.4 million.

selected project aligned with mission goals.

- The education program activity approval documents and concept papers by identifying main goals outlined in those documents to determine how they aligned to the mission's education strategy.
- The overall mission strategic framework and CDCS by identifying their key objectives to determine how they align with the U.S. Government's country-specific strategy for Pakistan.

We also interviewed Agency officials from the mission, the Office of Afghanistan and Pakistan Affairs, and the U.S. State Department to understand how the education strategy supports wider U.S. Government interests in the region.

To assess USAID's oversight of its Pakistan education program to ensure timely and impactful results, we identified and analyzed project activities that contributed most significantly toward the mission's education development objective of "Improved Opportunities for Learning and Work," under its prior strategic framework.

To develop our sample for this analysis, we identified 1,058 discrete activities that were included in the four selected projects' implementing mechanisms. From those we identified 102 activities that most significantly contributed to progress at the outcome level, leading ultimately to achieving the mission's education development goal. These determinations were based on our analysis of project documentation where we identified select activities that addressed the main objectives of the projects. USAID/Pakistan confirmed our selection and we further narrowed this selection to 71 activities based on key challenges and risks identified in the program documents, interviews conducted with the mission and other stakeholders, and results from preliminary testing of program activities.

In planning and performing the audit for both objectives, we obtained an understanding of USAID/Pakistan's education program and related internal controls by reviewing Agency documents, including policies and procedures, progress reports, and internal guidance, related to education projects in Pakistan. We reviewed, analyzed, and summarized information including USAID's program files, guidance, assessments, Government of Pakistan documents, and other donor publications. Specifically, we:

- Reviewed site visit reports of the four selected projects—including all the site visits made over a 2-year period from June 2016 to June 2018 for SBEP, PRP, and MNBSP, and over a 2.5 year period for CAS from January 2016 to June 2018—to determine what was being reported as site visits and frequency of site visits.
- Reviewed rate-analysis for all construction awards under SBEP to determine if unallowable costs such as income tax were included in the estimates.
- Reviewed all portfolio reports that the mission carried out from January 2016 to June 2018, to see whether these reports met key requirements of the ADS and the mission order.

- Reviewed quarterly progress for the four projects for periods ranging from January 2016 to June 2018, to determine the key issues being reported and whether the quarterly progress reports commented on followup of the key issues.
- Reviewed the mission's annual internal control certification for fiscal years 2016 and 2017 required by the Federal Managers' Financial Integrity Act of 1982.
- Reviewed usage of the PERFORM contract to conduct third-party site visits for the education program to areas inaccessible by mission personnel due to security concerns.

Our findings cannot be used to make inferences about all of USAID's education projects and activities in Pakistan. However, we determined that our method for selecting these projects, activities, and monitoring mechanisms was appropriate for our audit objectives and that the selection would generate valid, reliable evidence to support our findings and conclusions.

We primarily used USAID's guidance or ADS as key criteria for assessing the mission's oversight of its education program to ensure timely and impactful results. This included the ADS relating to program cycle operational policy and internal controls and the mission order on performance monitoring and government-to-government assistance.

Throughout the audit, we communicated discrete audit observations to relevant mission officials to keep them informed.

To obtain the required documentation for the audit we relied on mission officials, implementers, and Government of Pakistan officials associated with the education program. We also obtained the performance results contained within USAID/Pakistan's PakInfo information management system. To assess the reliability of PakInfo data, we obtained an overview of how data is collected and entered by implementers, and how the mission reported the data to the Agency and other stakeholders. We then judgmentally selected 30 indicators that were linked to the 71 discrete education activities we selected for our sample and traced samples of data back to the source. Based on the testing performed, we did not find any exceptions and determined that the data were sufficiently reliable for the purposes of this report.

APPENDIX B. AGENCY COMMENTS



USAID
FROM THE AMERICAN PEOPLE

PAKISTAN

MEMORANDUM

To: USAID OIG Asia Regional Office Audit Director,
James C. Charlifue

From: USAID/Pakistan Mission Director, Julie A. Koenen /s/

Date: June 26, 2020

Subject: Management Comment to Respond to the Draft Audit Report
Produced by the Office of the Inspector General titled,
*USAID'S Pakistan Education Program Aligned With U.S.
Strategy, But Insufficient Oversight Could Impede
Accountability for Results* (Report No. 5-391-20-00X-P, Task
No. GG1C0117)

The U.S. Agency for International Development (USAID) would like to thank the Office of the Inspector General (OIG) for the opportunity to provide comments on the subject draft report. The Agency agrees with the OIG's recommendations, herein provides plans for implementing them, and reports on significant progress already made.

Recognizing that a literate and employable Pakistani population is in the national security interests of Pakistan, the region, and the United States, USAID's Mission in the Islamic Republic of Pakistan works closely with the Government of Pakistan (GoP) to increase access to, and improve the quality of, basic and higher education. The U.S. Government (USG) and the GoP cooperate to provide high-quality basic education, market-based workforce-development training, higher education, and research geared toward meeting

the needs of the 21st century. Since Fiscal Year 2010, more than 2.3 million students enrolled in primary and secondary schools or equivalent non-school settings with funding from USAID/Pakistan; 1,305 schools were built or repaired; over 19,000 students received U.S.-funded scholarships to attend Pakistani institutions of higher education; and 30 universities directly benefited from USAID's programs to develop institutional capacity.

Increasing access to education opportunities for out-of-school children is a USAID priority all around the world. This is especially true in Pakistan, where nearly 22.5 million children are out of school. USAID/Pakistan's education programs provide emergency education to children displaced by military conflict, enroll new students in schools and non-formal education programs, repair and construct schools in underserved communities, and work with communities to address barriers that keep students from enrolling and staying in school.

Teachers make the biggest impact on what students learn. To improve the quality of teachers in Pakistan, USAID worked with the national Higher Education Commission to develop two professional degree programs, the Associate's and Bachelor's Degrees in Education, now offered in 110 universities and teacher-training colleges across the country.

Reading is the foundation of learning, earning, and critical thinking. By building a child's reading skills at an early age, he or she is more likely to succeed and stay in school. USAID/Pakistan trained thousands of teachers on how to teach reading; developed teaching and learning materials in Urdu, Sindhi, and Pashto; established classroom libraries in thousands of schools; and convinced schools to dedicate more classroom time for reading. USAID/Pakistan has funded reading programs for more than 1.7 million primary students since 2010.

The Sindh Basic-Education Program (SBEP) constructed 70 schools that benefit more than 35,000 marginalized students. Initial audit reviews in early years of the project revealed that progress in school construction slowed because of limited capacity in the contractor and Provincial implementation agencies. The pace of construction has since increased because of USAID-funded training and mentoring of contractors and staff in Provincial governments that monitor construction.

Through the SBEP, USAID/Pakistan has assisted the Provincial Government

of Sindh in awarding 10-year, Province-funded contracts to private-sector organizations to manage 70 schools. The learning environment, the use of information and communication technology, and the attendance and performance of students and faculty have improved, and the maintenance of the SBEP-constructed schools have increased. All of these achievements primarily stem from the Education Management Organization, or EMO, model that USAID introduced to the Government of Sindh (GoS) to ensure the effective administration of schools. An Asian Development Bank project worth \$75 million has adopted the EMO approach to harnessing private-sector innovation and management in publicly funded schools. The GoS sees the EMO model as so successful that it has allocated \$42 million for EMO reform over the life of the project, and other Provinces are considering replicating it.



SBEP - Before and after photos of Government Girls High School Arain, Sukkur, Sindh Province. Photo Credit: USAID/Pakistan

USAID/Pakistan's programs help Pakistani universities increase access to, and improve the quality of, their degree programs. USAID/Pakistan provides scholarships to talented low-income students, and helps Pakistani universities improve their abilities to manage financial-aid programs. The GoP has since replicated and scaled up this model for its own scholarship program, which indicates Pakistanis' increased self-reliance to address their own development needs. Finally, USAID/Pakistan also has connected U.S. universities with experts in Pakistani universities to develop the U.S.-Pakistan Centers for Advanced Studies, which conduct joint research to develop practical and policy solutions to problems related to energy and water in Pakistan.

USAID agrees with the five recommendations contained in draft audit report No. 5-391-20-00X-P, and we have provided our management responses to them in the attached memorandum. We also have added additional

information meant to help the OIG give the report a broader context and to document some of the lessons learned from our programs in Pakistan.

COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE REPORT RELEASED BY THE USAID OFFICE OF THE INSPECTOR GENERAL TITLED, *USAID’S Pakistan Education Program Aligned With U.S. Strategy, But Insufficient Oversight Could Impede Accountability for Results* (Report No. 5-391-20-00X-P, Task No. GG1C0117)

Please find below the management comments from the U.S. Agency for International Development (USAID) on the draft report produced by the USAID Office of Inspector General (OIG), which contains five recommendations for the Agency:

Recommendation 1: *Implement a plan to ensure education project implementers report in their quarterly progress reports any implementation challenges, follow-up performed to resolve those challenges, and the current status of the challenges.*

- **Management Comments:** USAID’s Mission in the Islamic Republic of Pakistan concurs with the recommendation. For context, USAID’s Agreement Officer’s Representatives (AORs), Contracting Officer’s Representatives (CORs), and Government-to-Government Activity Technical Representatives (GATRs) work with our implementing partners (IPs) to improve Quarterly Performance Reports (QPRs) continuously during the life of activities. However, AORs/CORs/GATRs do not limit their interactions with, and technical guidance to, IPs to just QPRs. They maintain constant communications through meetings, emails, site visits, and phone calls with partners to resolve problems. USAID’s staff and their IPs in Pakistan resolve most implementation-related challenges within the same quarter.

USAID/Pakistan appreciates the OIG’s recommendation, and is developing an implementation plan to ensure the IPs on education projects report any challenges, follow up to resolve them, and include a status report on them in their QPRs.

The Mission’s implementation plan will include the following:

- (1) Directing IPs that manage projects funded by USAID/Pakistan's Education Office to strengthen their QPRs by including information on their implementation challenges, the follow-up they performed to resolve them, and their current status; and submit quarterly reports on a timely basis; and
- (2) Providing training and guidance to AORs/CORs/GATRs in the Mission's Education Office on how to receive, monitor, review, discuss, and document reporting from IPs, as required by their Designation Letters.

- **Target Completion Date:** November 30, 2020.

Based on the actions identified above, USAID requests the OIG's concurrence that the Agency has reached a management decision and requests closure of the audit recommendation when USAID/Pakistan implements the plan described above.

Recommendation 2: *Implement a system that maintains a record of the Mission's portfolio reviews, including but not limited to, review of the critical assumptions, issues identified, and management's follow-up of the identified issues.*

- **Management Comments:** USAID concurs with the recommendation. While USAID/Pakistan has discussed critical assumptions in its Strategic Portfolio Reviews, including the effects of security-related challenges and the Government of Pakistan's willingness to undertake reforms, the Mission did not document these discussions sufficiently. USAID/Pakistan has adapted its template for Strategic Portfolio Reviews to include a section on critical assumptions. As the OIG acknowledged in draft audit report No. 5-391-20-00X-P, USAID/Pakistan already has developed and implemented a formal system that allows the Mission to follow up on issues and challenges identified in Portfolio Reviews. USAID/Pakistan uses this system for each Portfolio Review, and will use it to track any actions related to critical assumptions as well.
- **Target Completion Date:** May 31, 2020.

Based on the actions identified above, USAID requests the OIG's

concurrence that the Agency has reached a management decision and requests closure of the audit recommendation upon publication of the Final Report.

Recommendation 3: *Implement a plan to identify the root causes associated with the lack of capacity of the Government of Sindh's Education Department and local contractors that created major challenges for the construction component of the Sindh Basic Education Program, and implement a plan to address these issues.*

- **Management Comments:** USAID concurs with the recommendation. USAID/Pakistan designed the Sindh Basic Education Program (SBEP) as a Government-to-Government (G2G) partnership, in part to build greater financial and managerial ownership by the Sindh Provincial Government (SPG). The goal is for the SPG to operate and maintain the schools constructed by the G2G partnership more effectively. USAID designed the project jointly with the SPG Education Department and included funding in the award to pay for contractors to provide capacity-building in architecture/engineering and management.

Extensive on-the-job coaching and mentoring to local counterparts has enhanced the track record of the SPG's management of school construction significantly. As a result, 70 of 106 schools have already been constructed, and the remaining 36 schools are scheduled to be completed by December 2021. The overall capacity of the local private-sector contractors has improved, and the 70 schools completed have met stringent quality standards, certified by USAID/Pakistan's third-party monitoring firms. The schools are well-constructed and have set the standard for the construction of new schools across Pakistan. Overall, physical construction under the SBEP is 85-percent complete. By February 25, 2021, USAID/Pakistan will conduct a root-causes analysis of the past and present capacity of the ability of the SPG's Education Department and local contractors to take over the management of the design, construction, and operational components of the SBEP.

- **Target Completion Date:** February 25, 2021.

Based on the actions identified above, USAID requests the OIG's

concurrence that the Agency has reached a management decision and requests closure of the audit recommendation when USAID/Pakistan develops and completes the root-causes analysis described above.

Recommendation 4: *Implement cost-estimate guidelines and training to include detailed guidance on what steps should be followed when reviewing independent government cost estimates under Government-to-Government programs, including the requirement to document the review. Guidelines should ensure that steps are included for determining the allowability of cost items that the Mission should consider while reviewing the independent government cost estimates.*

- **Management Comments:** USAID concurs with the recommendation. USAID/Pakistan conducts a cost-reasonableness analysis for all G2G programs, documented in a “Cost Reasonableness Memorandum.” The Memorandum is part of the planning phase of all activities. USAID/Pakistan has developed comprehensive guidance on conducting cost-reasonableness analyses, and will share it within the Mission and provide training to all staff. The training will include the creation, review, and assessment of G2G budgets, and will provide tools for conducting reasonable and responsible budgeting for G2G activities. The Mission will share this guidance and provide the training by September 30, 2020.
- **Target Completion Date:** September 30, 2020.

Based on the actions identified above, USAID requests the OIG’s concurrence that the Agency has reached a management decision and requests closure of the audit recommendation when USAID/Pakistan implements the guidance and provides the training described above.

Recommendation 5: *Review the independent cost estimates for the Sindh Basic Education Program’s school-construction component specifically to identify items that are not permitted by the host-country agreement and other guidance, reiterate in writing that the unpermitted costs should not be included in cost estimates for future projects, and take appropriate action to recover any unpermitted amounts already paid.*

- **Management Comments:** USAID concurs with the recommendation. USAID/Pakistan will review the independent cost-

estimates for the school-construction component of SBEP to identify amounts that should have been tax-exempt under the host-country agreement and guidance at the time of negotiation. The U.S. Ambassador to Pakistan, the Consul General of the U.S. Consulate General in Karachi, and USAID/Pakistan's Mission Director have all met and engaged with the senior-most elected and career officials in Sindh Province to explain the importance of complying with tax exemptions for USAID's assistance. Most of the SPG counterparts have concurred that USAID's assistance is tax-exempt under the Pakistan Enhanced Partnership Agreement and that tax calculations should not be part of the cost estimates for future projects. USAID/Pakistan is requesting final, written confirmation from the SPG on these points. The Mission already is taking appropriate actions to calculate, and seek the recovery of, amounts that should have been tax-exempt. USAID/Pakistan will develop and implement an action plan for recovery by March 25, 2021.

- **Target Completion Date:** March 25, 2021

Based on the actions identified above, USAID requests the OIG's concurrence that the Agency has reached a management decision and requests closure of the audit recommendation when USAID/Pakistan develops and implements the action plan for recovery as described above.

APPENDIX C. MAJOR CONTRIBUTORS TO THIS REPORT

The following people were major contributors to this report: James Charlifue, audit director; Matthew Rathgeber, audit director; David Clark, assistant director; Abdoulaye Gueye, assistant director; Nofil Ehsan, lead auditor; Benjamin Owusu, lead auditor; Fawad Aslam, auditor; Eve Joseph, auditor; Naila Khan, auditor; Laura Pirocanac, writer-editor; Karen Sloan, communications officer; and David Waldron, auditor.