

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

Construction Sustainability: USAID/Pakistan Did Not Ensure That Recipients Could Use, Operate, and Maintain the Selected Water Supply System and Schools as Intended

Audit Report 5-391-25-001-P

March 4, 2025

Audit



Office of Audits, Inspections, and Evaluations



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

DATE: March 4, 2025

TO: Veeraya Somvongsiri
Mission Director
USAID/Pakistan

FROM: Toayoa Aldridge /s/
Assistant Inspector General for Audits, Inspections, and Evaluations

SUBJECT: Construction Sustainability: USAID/Pakistan Did Not Ensure That Recipients Could Use, Operate, and Maintain the Selected Water Supply System and Schools as Intended

This memorandum transmits our final audit report. Our audit objective was to determine whether the selected water supply system and schools that USAID/Pakistan constructed were used, operated, and maintained as intended to achieve sustainable results. We answered this objective by evaluating (1) the recipients' use, operation, and maintenance of selected facilities constructed by USAID/Pakistan and (2) USAID/Pakistan's management of risks relating to the recipients' capabilities to operate and maintain constructed facilities. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in Appendix C.

The report contains four recommendations to address issues concerning the use, operation, and maintenance of the selected programs and to ensure continuous risk assessment and activity management. USAID/Pakistan disagreed with three recommendations and partially agreed with one, however, we believe that the mission needs to address all four recommendations. After reviewing information you provided in response to the draft report, we consider all four recommendations open and unresolved. Please work with us to resolve Recommendations 1, 2, 3, and 4.

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

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Report in Brief

Why We Did This Audit

In Pakistan, limited access to potable water, wastewater treatment, and schools pose some of the greatest barriers to a resilient and prosperous country. To support Pakistan in addressing these barriers and underpin sustainable development, USAID invests in construction activities and then hands them off to the recipients to use and sustain. Development progress is lost when activity recipients do not use, operate, and maintain constructed facilities as intended or when USAID does not sufficiently address risks that could jeopardize sustainability. In addition, beneficiary safety and USAID's reputation are at risk when activities fall short of intended goals.

We conducted this audit to determine whether the selected water supply system and schools that USAID/Pakistan constructed were used, operated, and maintained as intended to achieve sustainable results. We answered this objective by evaluating the following:

- The recipients' use, operation, and maintenance of selected facilities constructed by USAID/Pakistan
- USAID/Pakistan's management of risks relating to the recipients' capabilities to operate and maintain constructed facilities

What We Recommend

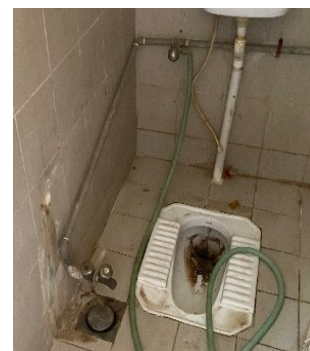
We made four recommendations to address issues concerning the use, operation, and maintenance of the selected programs and to ensure continuous risk assessment and activity management. USAID/Pakistan disagreed with three recommendations and partially agreed with one. We consider all four recommendations open and unresolved.

What We Found

USAID/Pakistan did not ensure that recipients could use, operate, and maintain the selected water supply system and schools constructed under the Municipal Services Program-Sindh and the Sindh Basic Education Program as intended. Specifically, the selected water supply system in Jacobabad, one of the hottest cities in the world, did not provide the intended quality or quantity of water. OIG testing in November 2024 confirmed that the water was unsafe for drinking. In addition, the water supply was irregular and did not sufficiently meet the demands of the residents. The water shortage was about 2 million gallons per day, according to local Pakistani officials.

The selected schools constructed using USAID funds failed to provide a conducive learning environment, with half of them failing to increase or sustain enrollment as intended. None of the selected schools had water, and over half of them had nonfunctional or unsanitary latrines and corroded faucets, as well as a lack of preventative maintenance (see photo below).

In addition, USAID/Pakistan did not adequately reassess the recipients' capability to operate and/or maintain the selected water supply system and schools after handover, despite major contextual changes, such as high inflation.



A hole in the water pump room roof leaves equipment exposed to the elements (left), and a nonfunctional latrine shows the unsanitary conditions in a selected school (right).

Background

USAID defines construction as “construction, alteration, or repair (including dredging and excavation) of buildings, structures, or other real property and includes, without limitation, improvements, renovation, alteration and refurbishment [to] roads, power plants, buildings, bridges, water treatment facilities, and vertical structures.”

Construction activities are critical to the Agency’s broader goals for sustainable development. USAID funds construction activities in all regions across foreign assistance objectives. These investments range from small-scale projects, such as community water tanks, to large-scale projects, such as power plants and water treatment facilities.

As with any USAID activity, the Agency collaborates with implementers and recipients to ensure that they achieve intended results and that benefits continue after USAID assistance ends.

Applicable Requirements for Sustainable Construction

The Foreign Assistance Act of 1961 states that to sustain growth and improve the quality of life for their citizens, developing countries should mobilize their own economic and human resources.

Further, Section 611(e) of the Foreign Assistance Act, as amended, provides that no assistance shall be furnished to a capital assistance project in excess of \$1 million unless USAID certifies the recipient’s capability (including financial and human resources) to effectively maintain and use the project. This certification is referred to as the 611(e) certification.

In line with the Foreign Assistance Act, USAID’s Automated Directives System (ADS) requires missions to identify additional financial and human resources that the recipient needs for the operation and maintenance of the resulting construction and related services.¹ Operation and maintenance include the control and upkeep of property and equipment, including actions focused on preventing the decline or failure of construction with the goal of increasing efficiency, reliability, and safety.²

USAID missions must perform a risk screening and update the screening throughout the life of the activity when the level of risk changes, when the Agency takes additional mitigation actions, or when the Agency perceives additional risk.³

USAID’s critical success factors for construction activities include “Risk Management Methodology,” which is the incorporation of a consistent and systemic approach to risk management, including identifying, assessing, responding to, monitoring, and adjusting responses to risks throughout the project life cycle to improve program performance, as well as

¹ USAID, Automated Directives System, Chapter 201maw, “Management of Construction Risk,” January 2021.

² ADS 201maw, Section V, “USAID’s Preferred Approach to Construction,” January 2021.

³ ADS 201maw, Section I, “Overview,” January 2021.

“Monitoring and Evaluation,” which is an established process for the assessment of results and the ability of completed projects to achieve their measurable objectives.⁴

USAID/Pakistan Construction Activities at a Glance

From fiscal year (FY) 2014 to FY 2024, USAID invested approximately \$1 billion in construction activities in Pakistan to enhance the country's economic growth, resilience, security, and prosperity. These activities included the construction of schools, hospitals, roads, bridges, electrical transmission and distribution lines, and water and sanitation systems. After a construction activity is completed, USAID hands it over to a recipient—typically a host country government or private organization—to carry on the activity's intended use, operation, and maintenance.⁵

The Municipal Services Program-Sindh (MSP-S) and the Sindh Basic Education Program (SBEP) have been USAID/Pakistan's flagship construction activities in the country's Sindh province. These activities addressed the province's need for better water supply, waste disposal, and education.

Municipal Services Program-Sindh

Goal

To improve essential municipal services, such as adequate and safe drinking water, wastewater disposal, and solid waste management. Figure 1 shows a water purification tank that was constructed under the MSP-S activity.

Timeframe

January 2011–June 2025.

Recipient/Owner After USAID Handover

Government of Sindh (Municipal Committee of Jacobabad).

Cost to U.S. Government

\$36.8 million (\$23 million for the construction of a water supply system, \$11.7 million for the construction of the wastewater disposal system, and \$2.1 million for non-construction activities that included the purchase of municipality vehicles and capacity building).

Figure 1. Water Purification Tank Constructed Under MSP-S



This water purification tank was constructed under the MSP-S construction activity in Jacobabad, Sindh.

Photo by OIG, September 2024.

⁴ ADS 201maw, Section IV, “Construction Risk at USAID,” January 2021.

⁵ In the context of this audit, recipients are the ultimate owners of the final deliverable of the construction activity and are responsible for the operation and maintenance after handover. For example, a local government can be a recipient of a school or health clinic.

Sindh Basic Education Program

Goal

To increase and sustain student enrollment in primary, middle, and secondary schools in targeted locations in Sindh by developing a school environment conducive to teaching and learning. Figure 2 shows one of the schools constructed under the SBEP activity.

Timeframe

September 2011–September 2024.

Recipient/Owner After USAID Handover

Government of Sindh's School Education and Literacy Department.

Cost to U.S. Government

\$159.2 million (\$81 million for the construction of 106 schools and \$78.2 million for non-construction activities that included community mobilization, a reading program, and capacity building).

Figure 2. School Constructed Under SBEP



This school was constructed under the SBEP activity in Qambar Shahdadt, Sindh.

Photo by OIG, October 2024

USAID/Pakistan Did Not Ensure That Recipients Could Use, Operate, and Maintain the Selected Water Supply System and Schools as Intended

To achieve the intended impact—as standalone construction activities and as components of broader development programs—USAID/Pakistan expected recipients to sustain the water supply system and schools constructed under MSP-S and SBEP. However, USAID/Pakistan failed to ensure that the recipients used, operated, or maintained the selected water supply system and schools as intended after the Agency transferred ownership. The mission also failed to manage operations and maintenance risks throughout the life cycle of the construction activities.

Recipients Did Not Use, Operate, or Maintain USAID/Pakistan's Selected Water Supply System and Schools as Intended

The selected water supply system did not provide the intended quality or quantity of water, with OIG-procured testing in November 2024 confirming that the water was unsafe for drinking. The selected schools constructed using USAID funds failed to provide a conducive learning environment, with half of the schools having low enrollment. In addition, the operations and maintenance of the selected water supply system and schools did not align with USAID/Pakistan's expectations at handover.

What We Found: The City of Jacobabad's Water Supply System Did Not Provide Safe, Sufficient Water

The water supply system that USAID/Pakistan constructed and supported under the MSP-S construction activity failed to provide safe drinking water to the city of Jacobabad. In addition, the water supply was irregular and did not sufficiently meet the demands of the residents. According to officials from the Municipal Committee of Jacobabad, the water demand at the time of our audit was 7–8 million gallons per day. However, the water supply was only 5–6 million gallons per day. In April 2021, USAID/Pakistan completed the water supply system and transferred ownership to the Municipal Committee, which became responsible for the system's operation and maintenance. Using two independent parties, we tested water from residential houses and water reservoirs located in different neighborhoods in Jacobabad (Appendix B provides the results of these tests). Table 1 summarizes the water testing results, as well as OIG's observations from a September 2024 site visit showing that the Municipal Committee did not conduct the expected operations and maintenance.⁶ Figure 3 illustrates the conditions of the selected water supply system.

⁶ USAID/Pakistan provided the recipient with an operations and maintenance manual for the selected water supply system. This manual provided guidance for establishing a proper operation and maintenance system to ensure that USAID's capital investments in new construction resulted in sustainable service provision.

Table I. OIG Observations on the Use, Operation, and Maintenance of Water System

| System Phase | Intended | Actual |
|------------------------------------|---|--|
| Use | <ul style="list-style-type: none"> • Safe drinking water. • Adequate and reliable water supply. • 14.5 million gallons per day. | <ul style="list-style-type: none"> • Unsafe drinking water. <ul style="list-style-type: none"> ○ OIG’s independent water testing results indicated that water was unsafe for drinking. All 18 water samples that the independent laboratories tested had unacceptable levels of E-coli or coliform, and the residual chlorine level was almost nonexistent. ○ We noted anecdotal accounts from residents of “odiferous” and “discolored” water that caused illness when consumed and rashes when used for bathing. • Irregularly supplied water (once or twice a week with no fixed timing and long periods without water). • 5–6 million gallons per day. |
| Operations/ Maintenance | <ul style="list-style-type: none"> • Clean and secure areas. • Functioning equipment. • Supporting documentation to facilitate complete and timely repair and preventative maintenance for uninterrupted and continued operations. | <ul style="list-style-type: none"> • Equipment such as pumps, valves, and tanks exposed to weather and debris. For example, holes in the roof of the main pumping room exposed the pumps to weather elements. • Punctured water transmission lines, leading to theft of water and leakage. • Unused backup generators with missing batteries. • No documentation of inspections or maintenance. |

Source: OIG observation, analysis of selected MSP-S award documents, and results of water testing.

Figure 3. Conditions of the Water Supply System



Clockwise: A hole in the pump room roof leaves equipment exposed to damaging rain, wind, and debris. Uncovered openings in a structure built to protect valves left the valves submerged in rainwater and exposed to elements including animal droppings. Photos by OIG, September 2024.

What We Found: The Selected Schools Did Not Provide a Conducive Learning Environment, and Half of Them Did Not Enroll the Expected Number of Students

Of the eight schools we visited in October 2024, half operated at full student enrollment capacity, while the other half fell short of expected enrollment.⁷ USAID/Pakistan invested in school construction to increase and sustain student enrollment in schools in marginalized areas

⁷ Based on a discussion with selected schools' management, expected enrollment is determined based on the number of classrooms built under SBEP and the expected number of students per classroom.

in Sindh and to enable a school environment conducive to teaching and learning. Adequate access to water, sanitation, and hygiene in schools is every child's right;⁸ however, at the selected schools, poor maintenance, lack of drinking water, and unsanitary latrines degraded the learning environment. USAID/Pakistan officials confirmed that the schools met expectations when the mission transferred ownership to the government of Sindh's School Education and Literacy Department over a period of time between 2016–2024. Moreover, managers of the selected schools did not raise any complaints about the quality of the completed school buildings. Table 2 summarizes OIG's observations from October 2024, showing that the government of Sindh had not completed necessary maintenance and that conditions had substantially changed since the handover. Figure 4 illustrates the conditions of the selected schools.

Table 2. OIG Observations on Use, Operation, and Maintenance of Selected Schools

| Phase | Intended | Actual |
|------------------------------------|---|---|
| Use | <ul style="list-style-type: none"> • High student enrollment. • Conducive learning environment with security and resources including water and equipment. | <ul style="list-style-type: none"> • Two out of eight sampled schools had low enrollment. • Two out of eight sampled schools were recently handed over and had no enrollment for over 8 months. • All eight schools lacked drinking water. |
| Operations/ Maintenance | <ul style="list-style-type: none"> • Periodic preventative maintenance. • Routine cleaning. • Timely repairs. | <ul style="list-style-type: none"> • Six out of eight schools had no preventative maintenance. • Six of eight schools had nonfunctional or unsanitary latrines and corroded faucets. • Three of the eight schools needed repairs for damaged furniture and broken doorknobs. • One of the eight schools had a significantly damaged perimeter wall. • One of the eight schools had uncovered manholes. |

Source: OIG observation and analysis of SBEP award documents.

⁸ Didier Jourdan, "The school environment does matter for educational success and health!" United Nations Educational Scientific and Cultural Organization, February 13, 2020.

Figure 4. Conditions of Selected Schools



Clockwise: Latrines are nonfunctional and unsanitary. Watercoolers are corroded and nonfunctional, leaving students without drinking water. A perimeter wall at a girl's school, intended to provide privacy in a culturally conservative area, has collapsed and not been repaired. Manholes on school grounds are uncovered, creating unsafe environment.

Photos by OIG, September 2024.

Why It Happened: The Recipients' Financial and Human Resources Were Insufficient to Carry Out Operations and Maintenance to Support the Intended Use

Recipients of the selected water supply system and schools lacked the financial and human resource capacity to sustain operations and maintenance activities post-handover. The magnitude and impact of the issue was greater for the selected water supply system than for the schools.

For MSP-S, USAID/Pakistan's 611(e) certification of recipient capacity to operate and maintain the facility specified that (1) the Municipal Committee, the government of Sindh, and the user fees were expected to fund the annual budget for operation and maintenance and (2) the

recipient required over 230 employees—including a minimum of 4 engineers and 2 electricians—to properly run and maintain the water supply system. However, at the time of our audit, the operation and maintenance budget for the MSP-S system was underfunded by nearly 17 percent, with utility revenues covering only 1 percent of expenses, compared to the 33 percent that USAID/Pakistan had anticipated. Furthermore, the staff for the water supply system included only one of the four necessary engineers and no electricians. According to officials from the Municipal Committee, the water supply system employed less than half of the necessary personnel due to low government salaries. In addition to financial and human resource shortfalls, officials from the Municipal Committee said that a 2-year delay in the completion of the wastewater facility prevented the recipient from running the water supply system at full capacity to avoid overwhelming the existing drainage capacity. According to a mission official, USAID/Pakistan and the government of Sindh intend to address this issue by June 2025. Once the wastewater system is complete and the water supply runs at full capacity, the Municipal Committee expects operation and maintenance costs to triple, further straining financial and human resources.

For SBEP, the lack of maintenance was due to inflation, which has significantly exceeded the expectations of the government of Sindh. For example, one of the schools that USAID/Pakistan handed over in 2020 had a 10-year budget prepared with an inflation rate of 10 percent. However, by 2023, inflation was running at 31 percent. As a result, school management struggled to fulfill maintenance obligations and was unable to hire the staff necessary for school sanitation and repairs. School managers at six of the eight selected schools said that they needed twice as many maintenance staff to keep the schools clean.

Why It Matters: Selected Constructed Facilities Are Not Providing Intended Benefits to the People of Pakistan, Which Can Lead to Health, Safety, and Reputational Risks

The people of Pakistan are deprived of the intended benefit from USAID's investment in drinking water, sanitation systems, and selected schools through the MSP-S and SBEP construction activities. Notably, Jacobabad residents could fall ill from consuming water supplied through the USAID/Pakistan-constructed water supply system. Thus, they are continuing to purchase water from private vendors, which defeats an underlying objective of the MSP-S construction activity. Figure 5 shows one of the private vendors providing clean water to the people of Pakistan. Unsanitary, under-resourced, and unsafe conditions dissuade student enrollment and retention, particularly of girls in culturally conservative parts of Pakistan. These issues not only affect the daily lives of poor and vulnerable people but also increase the reputational risk for USAID and the U.S. government.

Since the SBEP activity has ended, and the selected schools are in use and operational (except for the lack of potable water), we are not making a recommendation related to their use and operations.

Figure 5. Private Water Vendor



Despite USAID's intervention, Jacobabad residents continued to rely on private vendors like this one for clean water.

Photo by OIG, September 2024.

However, the lack of maintenance and potable water is a major concern and may adversely affect the schools' sustainability if not addressed.

Recommendations: Address the Issues Hindering the Full Use, Operation, and Maintenance of the Selected Water Supply System and Schools

To address these challenges, we recommend that USAID/Pakistan:

1. Collaborate with the government of Sindh to develop a plan with milestones to address the financial and human resource challenges hindering the use, operation, and maintenance of the water supply system constructed under the Municipal Services Program-Sindh.
2. Collaborate with the government of Sindh to develop a plan with milestones to address the financial and human resource challenges hindering the availability of potable water and maintenance of schools constructed under the Sindh Basic Education Program.

USAID/Pakistan Failed to Manage Operation and Maintenance Risks Throughout the Life Cycle of Construction Activities

USAID policy requires missions to manage risks throughout an activity's life cycle. Construction activities often span multiple years and may face contextual changes that can introduce new risks or alter existing ones. This underscores the need for ongoing risk assessments during the life cycle of the construction activity, as new mitigating measures may become necessary to ensure sustainable results for completed facilities.

USAID/Pakistan conducted the required risk screenings for the MSP-S and SBEP construction activities to secure the Agency's approval. However, the mission failed to continuously monitor and identify risks to determine whether its risk profile had changed and whether new mitigating measures were needed. Despite significant contextual changes after the approval phase, USAID/Pakistan did not ensure that the recipient of the selected activities still had the capability to operate and maintain their facilities. In the case of the MSP-S activity, although the mission completed a risk assessment before construction began, it did not conduct a reassessment to manage risks that evolved between approval in 2017 and project handover in 2021. Under the SBEP activity, though the mission tried to build the capacity of the recipient, maintenance of the selected schools remained a challenge.

According to the mission, this situation emerged in a complex environment characterized by the adherence to policy directives, a significant influx of funds, and the absence of a country development cooperation strategy, which overshadowed sustainability goals. From 2009 to 2015, the Department of State directed the mission to implement large-scale infrastructure projects through direct assistance to the government of Pakistan (referred to as government-to-government). According to the mission, these directives limited consideration of the recipient's capability to maintain the constructed facilities after handover. Moreover, from 2009 to 2018, USAID/Pakistan did not have a country development cooperation strategy⁹ for

⁹ Under the Enhanced Partnership with Pakistan Act of 2009, the Department of State shaped the strategy for foreign assistance in Pakistan. USAID/Pakistan followed directives from the Department of State for programming funded under the Enhanced Partnership with Pakistan Act.

Pakistan, which is an essential tool for ensuring that development investments lead to sustainable outcomes.

The mission received waivers that exempted it from the Agency's ADS 220 requirement to conduct risk assessments for the Public Financial Management Risk Assessment Framework¹⁰ (Risk Assessment Framework) Stage 1 for the government of Pakistan. However, these waivers did not remove the requirement under the Foreign Assistance Act to assess the risks related to the recipients' capability to fund and maintain water supply systems and schools. The risk assessment for the Risk Assessment Framework Stage 1 focuses on determining if USAID could implement a program through a government-to-government system. In contrast, the Foreign Assistance Act risk assessment checks if a recipient can effectively operate and maintain facilities after handover.

While the mission completed the ADS 220 Risk Assessment Framework Stage 2 assessment, this assessment focused on the capability of the construction management rather than the recipients responsible for operating and maintaining the facilities after handover.

Despite the mission-funded, capacity-building activities, these activities still did not address the recipients' capability to operate and maintain the selected constructed facilities.

What We Found: USAID/Pakistan Did Not Assess New Operation and Maintenance Risks That Evolved Between the Approval and Handover Stages of the MSP-S Construction Activity

In 2017, USAID/Pakistan, as part of its Foreign Assistance Act 611(e) certification process, assessed the Municipal Committee's financial and human resource capacity to operate and maintain MSP-S components, including the water supply system. However, the mission did not reassess the Municipal Committee's capability to fund operations and maintenance. In 2021, the mission completed and handed over the water supply system to the Municipal Committee and extended the wastewater disposal system completion date to 2025. Between 2017 and 2021, Pakistani currency declined in value by more than 50 percent, and inflation more than doubled.

In addition, the Municipal Committee has not reached its revenue collection targets since the 2021 handover. USAID/Pakistan took preliminary measures after the 2021 handover to address financial and human resource challenges. In 2022, the mission implemented a separate activity¹¹ to enhance the Municipal Committee's capacity to operate and maintain the water supply system and ensure the long-term sustainability of MSP-S results. Although this capacity-building activity was implemented for 2 years, the Municipal Committee continued to face challenges in operating and managing the water supply system. These conditions continued after the 2021

¹⁰ ADS Chapter 220 defines the public financial management risk assessment framework as "USAID's risk management process to identify, mitigate and manage the fiduciary risks encountered when considering [government-to-government] assistance. Stage 1 assessment focuses on the overall public financial management operating environment of the host government and assessment of the fiduciary risks to determine whether a more in-depth risk assessment – Stage 2 is warranted. Stage 2 focuses on an institutional level assessment designed to identify, evaluate, and propose measures to mitigate transactional level fiduciary risks of target partner government institution's public financial management systems at the country, sector, or sub-national government."

¹¹ This is the Water Governance for Sindh Activity, a 3-year cooperative agreement made to a third party for \$2.8 million.

handover; as a result, the Municipal Committee missed its revenue targets, with user fee collection averaging only 2.7 percent of the 2024 expected amounts. The mission stated that it provided other technical capacity support to the MSP-S construction activity,¹² but MSP-S continued to face severe operational and maintenance challenges.

In March 2024, USAID/Pakistan officials met with officials from the government of Sindh to discuss outsourcing MSP-S systems management to ensure long-term sustainability. However, the meeting did not result in an action plan to address the identified challenges, which could worsen when the wastewater disposal system is completed in 2025.

USAID/Pakistan also supported garbage collection to complement investments in water and wastewater disposal systems. However, due to financial constraints, the Municipal Committee did not use most of the 50 garbage collection trucks provided by USAID in June 2019. Figure 6 shows one of the unused, USAID-provided garbage trucks.

What We Found: USAID/Pakistan Did Not Conduct Continuous Risk Management to Ensure That Recipients Could Maintain the Selected Schools Constructed Under SBEP

USAID/Pakistan did not perform a 611(e) certification of the government of Sindh's School Education and Literacy Department's financial and human resource capacity to operate and maintain the schools after project handover because staff did not believe that they were required to do so. USAID/Pakistan revalidated this decision in 2014 and 2016 for the 106 schools estimated to cost approximately \$81 million, basing its determination on the fact that each school was expected (1) to cost less than \$1 million and (2) to be managed by an education management organization, which is a separate, private body. However, based on our review of the award documents, we found that four schools exceeded the \$1 million threshold, and each education management organization managed multiple schools.

USAID guidance states, "if schools are operated and maintained by the district government, then it would be appropriate to disaggregate school construction by district. However, if all the schools are maintained by the Ministry of Education with a single central budget, then it would be inappropriate to disaggregate school construction."¹³ Although the government of Sindh outsourced the management of the schools to education management organizations, it remained financially and legally responsible for funding the schools through its single budget. Despite this, USAID/Pakistan did not complete the 611(e) certification—required by the

Figure 6. Unused Garbage Truck in Jacobabad



Despite USAID's intervention, Jacobabad residents were not benefiting from this truck provided by USAID for garbage disposal.

Photo by OIG, September 2024.

¹² This includes the Water Governance and Capacity Building Support Activity, a 2.5-year contract made to a third party for \$2.1 million.

¹³ USAID, "Additional Guidance For 611(e) Certification Involving Construction Activities."

Foreign Assistance Act and USAID policy—to determine if the government of Sindh had the financial and human resource capability to fund the operation and maintenance of these schools.

Although USAID/Pakistan did not recognize Sindh’s School Education and Literacy Department as the ultimate recipient responsible for the 611(e) certification, the mission stated that it strengthened the technical capacity of the government of Sindh through other funded activities.¹⁴ However, the final reports of these activities still highlighted financial and human resource limitations with Sindh’s School Education and Literacy Department, consistent with reports that selected school management made during our site visits.

Why It Happened: USAID/Pakistan Controls to Manage Risks Related to the Recipients’ Accountability to Operate and Maintain the Constructed Facilities Were Ineffective

The mission stated that the large influx of funding for government-to-government programming and the Department of State policy directives placed extraordinary demands on USAID/Pakistan. The mission stated that they took measures to ensure sustainability of the programming, recognizing that the volume of support pouring into Pakistan would be difficult to sustain once the mission transitioned the resulting assistance to the host government. The mission considered this a significant factor as to why any host government may experience limitations in their own resources to maintain constructed facilities after handover. While USAID/Pakistan stated that it took measures to ensure sustainability of its programming despite the political context and policy directives, the mission’s internal controls did not ensure continuous risk assessment throughout the life cycle of the activity as required by Agency policy.

For the MSP-S construction activity, a continuous risk assessment would include regular assessments of the recipient’s capability to operate and maintain the construction facilities in a changing political and economic context. For the SBEP construction activity, though the mission provided technical assistance to the recipient, the maintenance of the selected schools remained questionable.¹⁵ Although the mission carried out two capacity-building initiatives for the MSP-S construction activity, the final progress reports of these initiatives reported concerns with the lack of technical staff and the recipient’s inability to generate revenue. Similarly, the mission carried out capacity-building activities with SBEP school recipients, and the final reports of these activities highlighted financial and human resource limitations with Sindh’s School Education and Literacy Department. Despite these reports, the mission did not adjust its response to ensure that the recipients effectively addressed the challenges.

Furthermore, USAID/Pakistan did not have clear guidance on whether construction activities should be aggregated or disaggregated. This distinction is key to determining if the 611(e) certification should be conducted at the level of the government entity legally responsible for

¹⁴ This refers to two activities: (1) the Sindh Community Mobilization Program—a \$24.9 million, 9-year contract made to a third party that included community mobilization, as well as a component to sustain the schools through the engagement of the private sector, and (2) the Sindh Capacity Development Project—a 4-year contract made to a third party for \$4.4 million to support the sustainability of the SBEP construction activity.

¹⁵ ADS 201maw, “Management Construction Risk,” January 2021.

funding the operations and maintenance of the constructed facilities or at the level of the private entity contracted by the government to manage those facilities.

Why It Matters: The Absence of Continuous Risk Assessment to Ensure Recipients' Accountability Leaves USAID Constructed Facilities Vulnerable to Risks That Could Jeopardize Their Sustainability

USAID/Pakistan conducts a risk assessment supporting the 611(e) certification of an owner's capability to operate and maintain constructed facilities before construction starts; thus, the assessment does not address risks between activity implementation and handover.

Construction activities are usually implemented over multiple years and face changing conditions that may introduce new risks that jeopardize the sustainability of the product and require new mitigating measures. This underscores the need to assess risks throughout the life cycle of the construction activity. Without the regular risk assessment of a recipient's ability to operate, maintain, and sustain a USAID construction activity, the Agency risks wasting U.S. taxpayer dollars on projects that fail to meet their intended long-term goals.

Recommendations: Ensure Continuous Risk Assessment and Effective Construction Activity Management

To strengthen the likelihood of sustainable development outcomes for current and future construction activities, we recommend that USAID/Pakistan:

3. Establish controls to ensure continuous risk assessment—especially monitoring and adaptation of responses—of a recipient's capacity to fund and sustain the operation and maintenance of a USAID-funded capital project throughout the life cycle of the construction activity.
4. Develop and issue guidance clarifying when it is appropriate to aggregate or disaggregate construction activities to determine when the Foreign Assistance Act 611(e) certification is required and which entity should be subject to it.

OIG Response to Agency Comments

We provided our draft report to USAID/Pakistan on January 31, 2025. On February 25, 2025, we received the mission's response, which we included as Appendix C of this report.

Our report included four recommendations. The mission partially agrees with one recommendation and disagrees with three. The Agency also provided technical comments, which we considered and incorporated as appropriate.

The mission partially agrees with Recommendation 1, stating that while the government of Sindh's plan for the sustainable operation and maintenance of the MSP-S water supply activity is important, the recommendation is not currently actionable because Executive Order 14169 led to the suspension of the MSP-S project. However, the mission will collaborate with the government of Sindh once the executive order has been lifted. Therefore, OIG considers Recommendation 1 open and unresolved.

The mission disagrees with Recommendation 2, stating that while USAID/Pakistan agrees that the lack of water is a concern, they cannot require the government of Sindh to develop a plan since the program has ended. In addition, the mission stated that they cannot currently communicate with the government of Sindh about the latter's willingness to develop a corrective plan because Executive Order 14169 and implementing guidelines do not allow the mission to communicate with the government of Sindh about U.S. foreign assistance. Although the program has ended, the mission should collaborate with the government of Sindh when restrictions on communication are lifted to ensure that infrastructure projects are sustained consistent with the Foreign Assistance Act of 1961. Therefore, OIG considers Recommendation 2 open and unresolved.

The mission disagrees with Recommendation 3, stating that it conducted appropriate risk assessment and adopted mitigation measures, especially technical capacity support, to ensure the effective use, operation, and maintenance of their infrastructure construction projects, including MSP-S and SBEP. We reported that the mission took initial steps to address risks by conducting the 611(e) assessment before starting the MSP-S activity and implementing capacity-building activities for MSP-S and SBEP. However, we found that the MSP-S recipient lacked sufficient technical staff and revenue, and the SBEP recipients faced limitations in both financial and human resources. We believe ineffective responses to risks necessitate a reassessment and adaptation of responses. Therefore, OIG considers Recommendation 3 open and unresolved.

The mission disagrees with Recommendation 4, stating that the Agency has guidance on when it is appropriate to aggregate or disaggregate construction activities for 611(e) certification. However, as noted in our report, the mission did not correctly apply this guidance to determine when the Foreign Assistance Act 611(e) certification was required and which entity should be subject to it. Therefore, at the mission level, clear guidance is needed to aggregate or disaggregate construction activities. Therefore, OIG considers Recommendation 4 open and unresolved.

Appendix A. Scope and Methodology

We conducted our work from September 2024 through December 2024 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objective was to determine whether the selected water supply system and schools that USAID/Pakistan constructed were used, operated, and maintained as intended to achieve sustainable results. We answered this objective by evaluating (1) the recipients' use, operation, and maintenance of selected facilities constructed by USAID/Pakistan and (2) the mission's management of risks relating to recipients' capabilities to operate and maintain constructed facilities.

In planning and performing the audit, we gained an understanding of and assessed internal controls that were significant to the audit objective. Specifically, we designed and conducted procedures related to four out of the five components of internal control as defined by the Government Accountability Office.¹⁶ These included Risk Assessment, Control Activities, Information and Communication, and Monitoring.

The audit scope covered USAID/Pakistan construction awards (both active and inactive) from FYs 2014–2024. We conducted fieldwork site visits to Pakistan from September 23 to November 7, 2024. We judgmentally selected a total of two out of six construction awards that were implemented in the province of Sindh. Our selection was primarily based on construction costs, activity status, and access to facilities locations. We selected a judgmental sample of 10 out of 108 constructed facilities built under the 2 selected awards based on factors such as construction costs, location, and handover dates. For the selected water supply system activity, we visited the sites of all components and interviewed 18 officials with the recipient (Municipal Committee of Jacobabad) and 64 randomly selected residents from 6 different neighborhoods. To assess the quality of water, we tested the water from 3 out of 6 overhead reservoirs and 10 randomly selected households. Two independent water testing laboratories collected and tested the water. Appendix B provides details on the sampling and testing results. For the school construction activity, we judgmentally selected 8 out of 106 constructed schools for site visits and interviews with staff and beneficiaries.

To answer our audit objective, we interviewed mission officials to gather information on construction activities, relevant laws, regulations, and policies, including any applicable risk assessment processes for the selected awards. We reviewed the agreements and relevant documents, such as the 611(e) documentation for the selected awards, to determine the intended use of the awards and the selected constructed facilities. In addition, we reviewed the operation and maintenance manuals as well as relevant documents for the selected constructed facilities to identify critical areas to be operated and maintained.

¹⁶ GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014.

For the selected constructed facilities, we visited the facilities and interviewed the recipient, facilities management, and beneficiaries to determine and verify whether facilities were used, operated, and maintained as required. We used a data collection instrument to gather this information from each of the selected constructed facilities. For the MSP-S activity, we commissioned third-party companies to test the quality of the water from selected households and reservoirs to corroborate information gathered from the beneficiaries.

We relied on our site visit observation, testimonial evidence, and document reviews to support our findings and conclusions. We used computer-processed data related to the USAID construction awards to select samples of construction activities for testing. We determined that this data was reliable for this audit through review of award documents and interviews with officials knowledgeable of the mission's construction activities. We did not verify the completeness of the construction data provided by the mission.

Appendix B. Water Testing Results

OIG procured independent water testing from two separate laboratories in Pakistan to assess the quality of water supplied to beneficiaries by the MSP-S-constructed water system. The two testing laboratories simultaneously carried out water collection in November 2024. Tables 3 and 4 show the results of these water test, with both tests concluding that the water was unsafe for drinking.

Table 3. Lab 1

| Samples | Chlorine (0.2–0.5mg/l) | Total Coliform (0/100ml) | E. coli (0/100ml) | Conclusion |
|----------------------------|---------------------------|-----------------------------|----------------------|---------------------|
| House 1- Neighborhood A | N/A | N/A | N/A | N/A |
| House 2- Neighborhood A | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| House 3- Neighborhood B | Unacceptable level | Unacceptable level | Acceptable level | Unsafe for drinking |
| House 4- Neighborhood B | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| House 5- Neighborhood B | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| House 6- Neighborhood C | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| House 7- Neighborhood C | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| Water Tank Zone A | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| Water Tank Zone B | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| Water Tank Zone C | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |

Note: Labs 1 and 2 carried out the water sampling at the same time. However, Lab 1 could not collect sufficient water from House 1-Neighborhood A for testing as the home's water supply was limited.
Source: OIG-generated table.

Table 4. Lab 2

| Samples | Chlorine (0.2–0.5mg/l) | Total Coliform (0/100ml) | E. coli (0/100ml) | Conclusion |
|----------------------------|---------------------------|-----------------------------|----------------------|---------------------|
| House 1- Neighborhood A | Unacceptable level | Unacceptable level | Acceptable level | Unsafe for drinking |
| House 2- Neighborhood A | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| House 3- Neighborhood B | Unacceptable level | Unacceptable level | Acceptable level | Unsafe for drinking |

| Samples | Chlorine (0.2–0.5mg/l) | Total Coliform (0/100ml) | E. coli (0/100ml) | Conclusion |
|----------------------------|---------------------------|-----------------------------|----------------------|---------------------|
| House 4- Neighborhood B | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| House 5- Neighborhood B | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| House 6- Neighborhood C | Unacceptable level | Unacceptable level | Acceptable level | Unsafe for drinking |
| House 7- Neighborhood C | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| Water Tank Zone A | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| Water Tank Zone B | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |
| Water Tank Zone C | Unacceptable level | Unacceptable level | Unacceptable level | Unsafe for drinking |

Source: OIG-generated table.

Appendix C. Agency Comments



UNCLASSIFIED

MEMORANDUM

TO: Toayoa Aldridge
Assistant Inspector General for Audits, Inspections, and Evaluations

FROM: V. Kate Somvongsiri /s/
Mission Director, USAID/Pakistan

DATE: February 24, 2025

SUBJECT: USAID Comments to the USAID Office of Inspector General's (OIG) Draft Audit Report: Construction Sustainability: USAID/Pakistan Did Not Ensure That Recipients Could Use, Operate, and Maintain the Selected Water Supply System and Schools as Intended, dated January 31, 2025 (Draft Report No. 5-391-25-00X-P) ("Draft Report")

The U.S. Agency for International Development (USAID) would like to thank the Office of Inspector General (OIG) for the opportunity to provide comments on the subject Draft Report. The Draft Report includes four recommendations divided into two categories: 1) recommendations to address the issues hindering the full use, operation and maintenance of the selected water supply systems and schools; and 2) recommendations to ensure continuous risk assessment and effective construction activity management. USAID partially agrees with one recommendation and disagrees with three. Our comments also include USAID's response to the OIG's findings in the Draft Report.

USAID disagrees that it failed to undertake risk assessments and appropriate risk mitigation measures during the construction phases of these programs, or that USAID failed to assess and build the capacity of the Government of Sindh (GoS) to operate and maintain the water supply system and schools constructed under these programs. USAID would like to document the following points to provide readers of the audit report additional context and to identify content and conclusions which are not fully substantiated:

1. **Schools are being used and operated appropriately following the completion of the Sindh Basic Education Program (SBEP):** Official school records demonstrate that the average school enrollment in USAID-constructed schools is four to five times higher than the average (127 students) in Sindh Province. USAID disagrees with the enrollment data cited by the OIG: official enrollment data confirms an overall 51 percent increase in enrollment in the eight schools sampled by the OIG.
2. **USAID took extraordinary measures to ensure adequate operation and maintenance of schools under SBEP:** USAID developed and implemented a comprehensive Risk Mitigation Plan (RMP) that included technical support to the GoS to introduce a cutting-edge public-private sector model to ensure appropriate operation and maintenance of all USAID-constructed schools. USAID developed maintenance procedures and secured written agreements with the GoS to appropriately fund operation and maintenance of these schools.
3. **The Municipal Support Program-Sindh (MSP-S) water infrastructure project is not yet complete:** MSP-S is not a completed program; therefore, it is premature to judge final use, operation, and maintenance of the infrastructure. MSP-S was suspended pursuant to the U.S. President's Executive Order No. 14169 on Reevaluating and Realigning United States Foreign Aid dated January 20, 2025 (E.O. 14169). If MSP-S is permitted to resume and the wastewater infrastructure component of the project is completed, drinking water will be supplied to households on a continuous basis thus addressing one of the principal factors negatively affecting water quality (extended periods of stagnant water).
4. **Unforeseen shocks, such as those listed below, created significant challenges and strained financial resources for the GoS over the period of implementation of SBEP and MSP-S. USAID adapted to these and other challenges by continuously assessing risks and providing additional technical support to the GoS to ensure the infrastructure projects would be adequately operated and maintained.**
 - a. The COVID pandemic brought the country to a standstill, reducing incomes and employment to the extent that the country experienced a negative GDP growth rate in 2020 for only the second time in Pakistan's history (last seen in 1952).
 - b. In 2022, one of the country's worst floods resulted in 80 percent agricultural losses (the main source of income) in Sindh Province. Jacobobab District, where the MSP-S program was being implemented, was the worst affected district in Sindh Province with more than 60 percent of the entire district covered in water.
5. **MSP-S, SBEP, and other USAID infrastructure programs in Pakistan were initiated in direct support of the U.S. Government's (USG's) foreign policy objectives.** During the period of 2009-2015, the USG, led by the Department of State, decided to provide substantial resources in the form of direct government-to-government (G2G) assistance

for large-scale infrastructure projects to the Government of Pakistan (GoP) to meet key foreign policy objectives. While construction projects entail certain types of risks and G2G assistance was a new mode of implementation in Pakistan, USAID took practicable steps to ensure the success and sustainability of the infrastructure constructed under these programs through continuous risk assessment and risk mitigation measures during the term of these programs.

USAID MANAGEMENT COMMENTS ON THE DRAFT REPORT

Please find below the Management Comments from USAID on the Draft Report produced by OIG which include four recommendations divided into two categories.

Category 1 Recommendations: Address the Issues Hindering the Full Use, Operation, and Maintenance of the Selected Water Supply System and Schools

Recommendation 1: Collaborate with the Sindh government to develop a plan with milestones to address the financial and human resource challenges hindering the use, operation, and maintenance of the water supply system constructed under the Municipal Services Program - Sindh.

Management Comments: USAID partially agrees with this recommendation. While USAID agrees that the GoS plan for the sustainable operation and maintenance of the water supply system funded by USAID under MSP-S is important, at this time, the recommendation is not actionable. More specifically, consistent with E.O. 14169, and attendant implementing guidelines from the Department of State and USAID, MSP-S was suspended. Additionally, the USAID direct contract for Architectural & Engineering (A&E) services that support MSP-S was terminated pursuant to implementing guidelines under E.O. 14169.

At this time, USAID is not able to collaborate with the GoS to develop the recommended plan. If the suspension on MSP-S is lifted and it resumes for a period sufficient to complete the project, and subject to the availability of funds¹⁷ and necessary A&E support services, USAID will collaborate with the GoS on the development of the recommended plan. Otherwise, this recommendation remains inactionable.

Target Completion Date: MSP-S was suspended in accordance with E.O. 14169 as outlined above, therefore, the recommendation is currently not actionable. If the suspension is lifted and USAID receives permission to resume MSP-S, USAID will develop a target completion date for this recommendation and notify OIG.

¹⁷ There are \$3.5M in current sub-obligated but undisbursed funds for MSP-S, of which \$2.9M cancel on September 30, 2025.

Recommendation 2: Collaborate with the Sindh government to develop a plan with milestones to address the financial and human resource challenges hindering the availability of potable water and maintenance of schools constructed under the Sindh Basic Education Program.

Management Comments: USAID disagrees with this recommendation. The Draft Report correctly indicates that SBEP has concluded and that the selected schools are in use. While USAID agrees that the lack of potable water in the schools supported under SBEP is a concern, the recommendation is not actionable because SBEP has concluded, and USAID cannot require the GoS to develop the recommended plan after the conclusion of the program.

Additionally, consistent with the EO 14169 and attendant implementing guidelines from the Department of State and USAID, which include, among other things, express parameters for communications outside the U.S. government about U.S. foreign assistance, USAID is not currently able to communicate with the GoS about this recommendation to inquire if the plan is something it would voluntarily agree to complete for its own use and benefit.

Target Completion Date: Not applicable.

Category 2 Recommendations: Ensure Continuous Risk Assessment and Effective Construction Activity Management to Strengthen the Likelihood of Sustainable Development Outcomes for Current and Future Construction Activities

Recommendation 3: Establish controls to ensure continuous risk assessment—especially monitoring and adaptation of responses—of a recipient’s capacity to fund and sustain the operation and maintenance of a USAID-funded capital project throughout the life cycle of the construction activity.

Management Comments: USAID disagrees with this recommendation. USAID included appropriate risk assessment and risk mitigation measures to ensure the effective use, operation, and maintenance of current infrastructure construction projects, including MSP-S and the completed SBEP. At this time, USAID/Pakistan is not planning any future infrastructure construction projects. As appropriate risk assessment and risk mitigation measures are in place for current infrastructure construction projects, the recommendation is not actionable.

Provided below are examples of the continuous risk assessment and risk mitigation measures employed under MSP-S and SBEP.

MSP-S

As noted in the Draft Report, in 2017, USAID/Pakistan completed the required Section 611(e) of the Foreign Assistance Act of 1961, as amended (FAA) certification process for MSP-S as the total estimated costs of the activity exceeded \$1 million. USAID does not agree with the OIG

position that inflation and the devaluation of the Pakistani Rupee (PKR), by themselves, mandate that the FAA Section 611(e) certification process for MPS-S be updated.

Throughout USAID/Pakistan's support, several capacity, operational risk, and business assessments were completed. This included a water safety plan that informed Municipal Committee Jacobabad (MCJ) about operational risks and a training needs assessment that provided an evaluation of the three components of the municipality of Jacobabad and the training requirements. The business plan, key performance indicator reports, and customer scorecards all provided assessment of the various operational and systems risks of the municipality. Cumulatively, these reports, which range from a period of 2012 through 2024, provide an assessment of different aspects of the operation and maintenance of the system, and offer recommendations for mitigating operational risks.

USAID provided continued technical capacity support to the GoS through a series of parallel activities that complement MSP-S during the term of MSP-S. This support included:

- Support for the Municipality's capacity to operate and maintain the water system, including development of operation and maintenance manuals and water safety plans under the Water Governance Support Activity (August 2022-September 2025)¹⁸;
- Support focused on increasing the number of people with access to safe drinking water, strengthening the capacity and capacity of municipal government in delivering drinking water, increased accountability and transparency of water service delivery and strengthened ability of GoS under the Water Governance and Capacity Building (WGCB) Activity (April 2019 - September 2021); and
- Capacity building support for local governments institutions particularly Jacobabad Municipality to provide sustainable and standardized municipal services including clean drinking water, safe management of effluent water and solid waste management under the Local Government Support Activity (LGSA).
- Assessment and Strengthening Program (ASP) also provided capacity building assistance under the overall MSP-S for strengthening the implementation in order to better achieve the objectives of MSP-S.

The GoS also provides a monthly budget allocation of Rs. 15 million to the municipality of Jacobabad for operation and maintenance of infrastructure completed under MSP-S.

SBEP

USAID conducted a pre-award assessment of the GoS in 2010 through a third party contractor. From 2011-2015, USAID's Assessment and Strengthening Program (ASP) provided capacity building assistance for strengthening the implementation in order to better achieve the

¹⁸ The program was suspended in accordance with State Department and USAID guidelines to implement E.O. 14169.

objectives of the SBEP. In addition to the Public Financial Management Risk Assessment Framework Stage 2 assessment (2016-2017), which was followed by a RMP. USAID also provided continued technical capacity support to the GoS' School Education and Literacy Department and its Public Private Partnerships Node to initiate, implement and strengthen private sector engagement reform to operate and maintain USAID constructed schools for improved efficiency.

The SBEP - Sindh Capacity Development Project, SBEP-Sindh Community Mobilization Program and Support for Education Management Organization (EMO) Reform Activity provided the required technical support. These activities complemented SBEP by providing technical assistance to support sustainability of SBEP and improve public accountability in the education sector through systems building and institutional strengthening of the GoS. Collectively, assistance provided through various USAID programs until 2023, included community mobilization for GoS reforms and increased girls enrollment, capacity gap assessments, policy development, training, and the creation of manuals and guidelines. Additionally, USAID developed an Operation and Maintenance (O&M) manual, which was provided to the EMOs during school handover.

Target Completion Date: Not applicable.

Recommendation 4: Develop and issue guidance clarifying when it is appropriate to aggregate or disaggregate construction activities to determine when the Foreign Assistance Act 611(e) certification is required and which entity should be subject to it.

Management Comments: USAID disagrees with this recommendation. The Agency's Management Construction Risk guidance (201maw), a mandatory reference to USAID's Automated Directives System (ADS), includes *Additional Guidance for 611(e) Certifications Involving Construction Activities* already contains guidance clarifying when it is appropriate to aggregate or disaggregate construction activities to determine when Section 611(e) of the Foreign Assistance Act of 1961 (FAA), as amended, is applicable. While the OIG may not agree with the Mission's application of this guidance to SBEP, and the Mission acknowledges that the FAA Section 611(e) process should have been followed for four out of 106 schools where the total costs exceeded \$1 million, the OIG proposed guidance already exists and the recommendation is therefore not actionable.

Target Completion Date: Not applicable.



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