



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/PAKISTAN'S PAKISTAN STRATEGY SUPPORT PROGRAM

AUDIT REPORT NO. G-391-14-004-P
JULY 30, 2014

ISLAMABAD, PAKISTAN



Office of Inspector General

July 30, 2014

MEMORANDUM

TO: USAID/Pakistan Mission Director, Gregory C. Gottlieb

FROM: Office of Inspector General/Pakistan Director, William Murphy /s/

SUBJECT: Audit of USAID/Pakistan's Pakistan Strategy Support Program
(Report No. G-391-14-004-P)

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

The audit report contains three recommendations to assist in improving various aspects of the program. Information you provided in response to the draft report indicates that you made management decisions on the three recommendations. Please provide evidence of final action on them to the Audit Performance and Compliance Division.

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

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SUMMARY OF RESULTS

USAID/Pakistan sees agriculture as critical to job creation and the growth of the Pakistani economy. According to the mission's April 2011 planning documents, agriculture production accounts for 21 percent of gross domestic product, employs 44 percent of the labor force, and generates 70 percent of the country's foreign exchange earnings. Further, approximately 80 percent of Pakistan's poor (some 35 million people) live in rural areas. USAID therefore seeks to achieve significant reductions in rural poverty by prioritizing agriculture.

The U.S.-based International Food Policy Research Institute (IFPRI), a public international organization and a member of the Consultative Group on International Agricultural Research (CGIAR) Consortium,¹ performs research on agricultural policies, institutions, and markets. It promotes propoor² agricultural growth.

In June 2010 the deputy chairman of the Pakistan Planning Commission asked the U.S. Government to enlist IFPRI's help in developing a program for agriculture policy research, capacity building, and outreach and dissemination. The deputy chairman said he would establish and serve as the chairperson for a small National Advisory Committee (NAC) that would set the research agenda and approve program activities.

Acting on this request, USAID/Pakistan awarded IFPRI a 4-year, \$22.7 million cooperative agreement on June 30, 2011, to implement the Pakistan Strategy Support Program. It was designed to build local capacity, better inform policy decisions, and promote science and innovation in agriculture. As of June 30, 2014, USAID/Pakistan had obligated \$16.2 million and disbursed \$12.4 million for the program.

The program has four research focus areas:

1. Agricultural production
2. Water management and irrigation
3. Macroeconomics, markets and trade
4. Poverty reduction and social safety nets

The core goal of the program, as stated in the agreement, is "to contribute to pro-poor economic growth and enhanced food security through strengthened capacity for designing and implementing evidence-based policy reforms." The award listed three activities for achieving the program goal: (1) enhancing the skills of Pakistani researchers to generate policy analysis, (2) making policy makers more critical, active consumers of policy research, and (3) bringing together policy makers, researchers, representatives of civil society, and private sector stakeholders to discuss and set strategic priorities at all levels of government.

USAID's Office of Inspector General (OIG) in Pakistan conducted this audit to determine whether the program was achieving its main goal. The audit found that the program was making

¹ The CGIAR Consortium's members are 15 international agricultural research centers, all of which appear on USAID's list of public international organizations. According to USAID's Automated Directives System Chapter 308, USAID can make an award to a public international organization to advance a common development objective.

² In international development, "propoor" means activities and policies that benefit the poor.

progress. It had built research capacity and brought together government and researchers, as the following examples illustrate:

- Through two competitive rounds of applications, the implementer awarded 37 research grants to Pakistani researchers, worth \$808,091. Grant recipients reported that the mentoring they received from international experts improved their research skills. A third and final round of grant applications was in process as of April 2014.
- A Planning Commission official, with program training and assistance, drafted a report on electricity subsidies and presented it to the Government of Pakistan. Subsequently, the government included his recommendation for realigning subsidies in its energy policy.
- As of September 2013, 33 studies that IFPRI commissioned or led had received funding of approximately \$3.3 million. The implementer was starting to summarize the results into policy briefs, which IFPRI staff believed would assist the government in formulating policy. Staff anticipated disseminating from three to five policy briefs per quarter, starting in the second quarter of fiscal year 2014.
- The program provided technical training in policy development and analysis to 106 individuals—government researchers, academics, and representatives of nongovernmental organizations (NGOs).
- The implementer led, assisted, or participated in 32 workshops, conferences, and seminars that brought together government, academic, and NGO participants for discussions and presentations of policy research.
- According to one stakeholder, the program trained university students to collect survey information, a skill that several translated into private industry jobs.
- The program has grown more responsive to government needs over time. The implementer estimated that about 50 percent of the program activities were in partnership with the Government of Pakistan as of March 2014. Stakeholders interviewed said the program addressed priority concerns of Pakistan.

The program achieved these successes despite facing challenges, the first being obtaining the quality of staff desired. It took 6 months before the implementer hired the chief of party, the person who manages the program. The absence of the chief of party resulted in a long delay in drafting the performance management plan and contributed to not fulfilling all its first-year work plan activities. The implementer still had not hired a deputy chief of party as of March 2014.

Another challenge was turnover resulting from the May 2013 change in government. Whereas the implementer had virtually unlimited access to the Planning Commission deputy chairman who initiated the program, the new Minister of Planning, Development and Reforms, who replaced the deputy chairman, is a more senior official and has less time available for the program. The new Minister of Planning, Development and Reforms attended his first NAC meeting on October 21, 2013, but the work plan review scheduled for that date was postponed until the next NAC meeting; as of April 2014, the meeting had not occurred.

A third challenge was security. The implementer reported having to reschedule events because of security concerns. Rescheduling doubled the time for arranging them and increased the costs of rebooking venues and air tickets.

Although the program was making progress, the audit found implementation weaknesses that could interfere with accomplishing key provincial government capacity development and program sustainability:

- The program did not establish provincial government subcommittees (page 4). The cooperative agreement specifically identified provincial governments' agriculture and irrigation departments as key partners because the national government had, by constitutional amendment in April 2010, delegated control of these key functions to provinces. The award stated that a provincial representative to NAC would chair four provincial subcommittees. Lack of support from the NAC chairperson, a lack of leadership by the implementer, and turnover among government officials hampered forming subcommittees.
- The program did not fully pursue capacity development (page 5). Because the deputy chairman of the Pakistan Planning Commission insisted that capacity-building efforts take place in-country through research grants, IFPRI dropped international studies and did not replace them with activities that could provide a similar level of capacity development.

Therefore, we recommend that USAID/Pakistan take the following actions:

1. Work with IFPRI to implement a plan for establishing provincial subcommittees comprising policy makers and representatives of research institutions, civil society organizations, and the private sector (page 5).
2. Work with IFPRI to obtain a list of research organizations that would be interested in offering program training (page 6).
3. Work with IFPRI to train instructors and provide course outlines for training that research organizations can begin offering (page 6).

Detailed findings follow. The audit's scope and methodology appear in Appendix I. Management comments appear in Appendix II, and our evaluation of these comments is on page 7.

AUDIT FINDINGS

Program Did Not Establish Provincial Subcommittees

In April 2010, Pakistan passed the 18th amendment to the constitution, which decentralized government. It delegated authority for 17 government ministries, including the Ministry of Agriculture, to the four provinces—Balochistan, Khyber Pakhtunkhwa, Punjab, and Sindh. Because of decentralization, the award listed provincial government departments of agriculture and irrigation as key partners. To ensure engagement with provincial policy makers, research institutions, civil society organizations, and the private sector, the award required four provincial subcommittees to be established, chaired by a provincial representative to the NAC.

The NAC, which meets two to three times per year, sets the research agenda. Committee members, led by the deputy chairman of the Planning Commission, discuss and agree on research topics. As of March 2014, five NAC meetings had taken place.

No provincial representative attended NAC meetings because the subcommittees were never formed. An IFPRI official said that in order to keep the NAC small, the committee discouraged provincial membership. Further, the provinces seemed adequately represented at two NAC meetings in the spring of 2013.

At the first of these meetings, a former Khyber Pakhtunkhwa government official, now an NGO representative, was present. The second meeting included the same individual plus a senator from Balochistan. However, it was not clear that they were official spokespersons for their provincial governments. In addition, no one from the agriculturally important provinces of Sindh and Punjab attended.

USAID gave three reasons why the provincial subcommittees were not formed:

- The NAC chairperson did not support forming subcommittees. Members considered including a provincial representative, but not necessarily a provincial government official.
- The implementer had difficulty hiring a competent chief of party, and the lack of leadership until January 2013 hindered IFPRI from taking on the task of the provincial subcommittees.
- The NAC has met just once with the new chair after the May 2013 change in government. The new chair has a higher government profile than his predecessor, with less time to devote to the program. The NAC meeting in November 2013 did not address the entire agenda, and USAID/Pakistan did not bring up provincial subcommittees.

Despite these challenges, an IFPRI official believed the program would soon address the problem, saying: “We are moving into a phase that has more outreach and collaborative work that targets the provinces.” The official also suggested that committees be formed to cover issues—water resources, provincial impacts of trade with India, and market regulations, for example—rather than jurisdictions.

In making the award, USAID/Pakistan recognized the importance of provincial participation. The program was designed to build government officials' capacity to absorb and demand policy research. The formation of provincial committees was in itself a capacity-building exercise, one that would also provide feedback from provinces on what they saw as their key policy gaps. Because each province holds policy-making authority, it is critical to have provincial government input and participation in the program. Had the four provincial councils been formed, greater strides toward the third desired outcome—to bring together policy makers, researchers, civil society representatives, and members of the private sector to discuss and set policy priorities—could have been accomplished.

One year remains in the program. Because of the program's slow start, it will have a surplus of about \$4 million at its scheduled end in July 2015. USAID/Pakistan is considering a 1-year, no-cost extension to the program. Regardless of the remaining time, to increase demand for research relevant to provincial policy, we make the following recommendation.

***Recommendation 1.** We recommend that USAID/Pakistan work with the International Food Policy Research Institute to implement a plan for establishing provincial subcommittees comprising policy makers and representatives of research institutions, civil society organizations, and the private sector.*

Program Did Not Fully Pursue Capacity Development

The award included sending 12 Pakistani graduate students to earn master's degrees and doctorates at international universities and sending 14 Pakistani analysts for 3-month training at international institutions. However, through a July 2013 modification, these activities were removed and replaced with competitive research grants.

The competitive grants provide funds for mostly Pakistani researchers to work on research projects related to key Government of Pakistan priorities. A panel of local and international experts rigorously screens potential grantees. The selected grantees present their proposals, midterm results, and final papers at three conferences attended by government officials and academics. During their research, grantees work with designated experts who serve as mentors. Although grants reach more people, they cannot provide the same level of capacity development as advanced degrees from international universities. The implementer's comments that the best grant-funded papers came from internationally educated researchers underscores this disparity.

The implementer's program budget and proposal included both competitive grants and international studies. According to USAID/Pakistan's action memorandum, the modification to replace the international studies with competitive grants was made because of the Planning Commission's insistence that capacity-building efforts take place primarily through domestic competitive research grants and because the program had already successfully completed two rounds of grants. In addition, the modification rectified the oversight of not including the competitive grant program in the award. However, the change left a gap in the program's contribution towards sustainable benefits after the program ends.

Auditors noted another avenue for capacity development. The implementer provided training in areas such as economic modeling, geographic information systems, and technical writing for more than 100 individuals whose work required these additional skills. Interviews with

stakeholders found that this training was well received. One government official said Planning Commission members had even asked the implementer for help incorporating an economic modeling course into the commission's teaching curriculum.

The program offers little for sustained capacity development. The implementer and USAID are considering continuing the competitive grants after the program ends. However, doing so would require donor funding. To fill the capacity development gap left by removing the international studies, the implementer could help Pakistani research organizations begin offering the valuable research-oriented training, sustaining capacity development. To that end, we make the following recommendations.

Recommendation 2. *We recommend that USAID/Pakistan work with the International Food Policy Research Institute to obtain a list of research organizations that would be interested in offering program training.*

Recommendation 3. *We recommend that USAID/Pakistan work with the International Food Policy Research Institute to train instructors and provide course outlines for training that research organizations can begin offering, and document its actions.*

EVALUATION OF MANAGEMENT COMMENTS

USAID/Pakistan agreed with the three recommendations in the draft report. According to its written response to the draft report, the mission has reached management decisions on all three. Our evaluation of management comments follows.

Recommendation 1. USAID/Pakistan agreed with the intent of the recommendation but decided on an alternate course of action. Instead of establishing provincial subcommittees, the mission will see that the program includes the alternate chief secretaries from all four provinces in NAC meetings. According to the mission, this is a more integrated approach and has the additional advantage of bringing various federal and provincial level parties together to share information and exchange views. The mission indicated that the NAC will meet three more times during the remainder of the project, and the first of these sessions will take place no later than September 30, 2014. We acknowledge the mission's management decision.

Recommendation 2. USAID/Pakistan decided to obtain a list of research organizations that would be interested in offering program training. It will establish a list of the appropriate institutions by December 31, 2014. We acknowledge the mission's management decision.

Recommendation 3. USAID/Pakistan decided to train instructors and provide course outlines for training that research organizations can begin offering. The mission set December 31, 2014, as the target date for final action. We acknowledge the mission's management decision.

SCOPE AND METHODOLOGY

Scope

We conducted this audit 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 in accordance with the audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/Pakistan's Pakistan Strategy Support Program was achieving its main goal: "to contribute to pro-poor economic growth and enhanced food security through strengthened capacity for designing and implementing evidence-based policy reforms."

The mission awarded International Food Policy Research Institute (a public international organization) a 4-year, \$22.7 million cooperative agreement on June 30, 2011, to implement the Pakistan Strategy Support Program. As of June 30, 2014, cumulative obligations for the program totaled \$16.2 million, and disbursements totaled \$12.4 million.

Auditors conducted fieldwork from February 19 through April 8, 2014, in Islamabad.

In planning and performing the audit, we identified and assessed the significant controls used by USAID/Pakistan to oversee and manage the program. This included reviewing project documents such as cooperative agreements and related modifications, the implementer's proposal, one major subcontract, project implementation work plans, monitoring and evaluation plans, implementing partners' progress reports, mission responses to program-related congressional inquiries, program meeting notes, mission portfolio reviews, the mission's program pipeline analysis reports, and agreement officer files. We also reviewed USAID/Pakistan's Federal Managers' Financial Integrity Act report for fiscal year 2012 to identify internal control and other issues that might be relevant to the audit. In addition, we reviewed USAID policies and procedures pertaining to awards to public international organizations.

Methodology

To answer the audit objective, the audit team reviewed program documents maintained at USAID/Pakistan and the offices of implementing partners. Documents included cooperative agreements, award modifications and supporting documentation, program work plans, progress reports, audit reports for the implementer and its subcontractor, and other information regarding control systems. We interviewed USAID/Pakistan officials, program stakeholders and beneficiaries (including government officials and academics), the implementer's chief of party, and various implementer and subcontractor staff.

The audit team compared reported results on indicators with supporting data maintained in Islamabad by the implementing partner on a limited basis to verify that they were consistent. USAID/Pakistan does not report any program indicator results to Washington. However, the mission plans to conduct data quality reviews of four of the program indicators that appear in the mission's results framework. Our sample for indicator review included three of the four. In addition, auditors selected 11 beneficiaries/stakeholders for interview from a list of 24 provided by the implementer. Our selection was intended to include different perspectives: those of

government officials, grant recipients, academics, and civil society organization representatives. The audit team used information from the interviews, documentation reviews, and analyses of program information to determine whether USAID's assistance helped build capacity for producing and using policy research.

MANAGEMENT COMMENTS



MEMORANDUM

Date	July 15, 2014
To	William Murphy- Director/OIG Pakistan
From	Nancy Estes- Acting Mission Director USAID/Pakistan /s/
Subject	Management Decision on the Performance Audit of USAID/Pakistan's Pakistan Strategy Support Program (PSSP)
Reference	Revised Final Audit Report No. G-391-14-xxx-P dated June 18, 2014

In response to the referenced draft audit report, please find below Mission management comments on the recommendations included therein.

Recommendation No. 1 We recommend that USAID/Pakistan work with the International Food Policy Research Institute to implement a plan for establishing provincial subcommittees comprising policy makers and representatives of research institutions, civil society organizations, and the private sector.

Management Comments

The Mission agrees with the intent of the recommendation and acknowledges that the International Food Policy Research Institute (IFPRI) did not implement this provision in the Cooperative Agreement. The provincial sub-committees (PSC) were not realized for the following reasons:

Under the original National Advisory Committee (NAC) Chair, Former Deputy Chairman of the Planning Commission viewed having someone influential from the provinces – but not necessarily a current Government of Pakistan (GoP) official from each province – as sufficient for ensuring provincial representation. Without the support of the Planning Commission, the PSC idea was simply a non-starter. The NAC Chair replacement, the Minister of Planning, Development and Reforms, also does not see the need for PSC.

On the other hand, the current Minister has agreed to appoint the Alternative Chief Secretaries (ACS) of all four provinces to the NAC; the ACS visit Islamabad regularly for meetings of the Central Development Working Party, so including them in NAC meetings would not be difficult. USAID/Pakistan believes that the Minister's suggestion provides for a more expeditious way to fulfill the intent of the

recommendation, since the NAC is already constituted and meeting periodically. Moreover, this more integrated approach would have the additional advantage of getting the various federal and provincial level parties together to share information and exchange views.

USAID/Pakistan estimates that the NAC will meet three more times during the remainder of the project and the first of these sessions will take place not later than September 2014. However, establishing four separate PSC would take considerable time and effort, and likely result in these bodies meeting only once before the end of the project. An alternative to this would entail USAID amending the Cooperative Agreement to remove the requirement of PSC in their entirety. However, we believe that the intent of the recommendation has considerable merit, especially if pursued in the integrated manner described above.

Based on the above, the Mission requests OIG's acknowledgement that a management decision has been reached and requests closure of the recommendation upon issuance of the final audit report.

Recommendation No. 2 We recommend that USAID/Pakistan work with the International Food Policy Research Institute to obtain a list of research organizations that would be interested in offering program training.

Management Comments

The Mission agrees with this recommendation. The first step to making PSSP's capacity-building efforts sustainable is to establish a list of the appropriate institutions. We expect to complete the required action by December 31, 2014.

Based on the above, the Mission requests OIG's acknowledgement that a management decision has been reached.

Recommendation No. 3 We recommend that USAID/Pakistan work with the International Food Policy Research Institute to train instructors and provide course outlines for training that research organizations can begin offering, and document its actions.

Management Comments

The Mission agrees with the recommendation. This recommendation represents the second step in the process of ensuring that PSSP's training efforts are sustained beyond the life of the activity. PSSP already has relevant course outlines available on such subjects as computable general equilibrium modeling, water modeling, and poverty mapping, having used these syllabi to train individuals representing a variety of local institutions. It would be an easy step to ensure that local instructors are qualified to teach the same material and to provide the relevant course outlines to the institutions enumerated on the list described under Recommendation No. 2 above. We expect to complete the related final action by December 31, 2014.

Based on the above, the Mission requests OIG's acknowledgement that a management decision has been reached.

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