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

As of December 31, 2010



Foreword

This is the fourth quarterly progress and oversight report on the U.S. Government's civilian assistance program in Pakistan. The U.S. Embassy in Pakistan requested quarterly reporting to inform stakeholders about progress achieved to date, problems encountered during program implementation, and actions taken to address them.

This report covers October 1 through December 31, 2010. For fiscal year (FY) 2010, Congress appropriated \$1.514 billion authorized by the Enhanced Partnership with Pakistan Act of 2009, along with other assistance funds, to support the civilian assistance strategy in Pakistan. The U.S. Embassy reported that \$3.931 billion in FY 2009, 2010, and 2011 civilian assistance funds had been obligated as of December 31, 2010.

The information on program status in this report is based on information provided by the departments and agencies working in Pakistan—the U.S. Agency for International Development (USAID), the Department of State, the Department of Defense, the Department of Agriculture, and the Department of Commerce. The program oversight results are taken from audits, reviews, and investigations performed by the Offices of Inspector General of the U.S. Agency for International Development, the Department of State, and the Department of Defense, as well as by the U.S. Government Accountability Office.

/s/

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Inspector General
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/s/

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Executive Summary

In December 2009, the U.S. Department of State developed a strategy for providing civilian assistance to Pakistan. However, over the past year of reporting on the civilian assistance program designed to carry out the strategy, progress has been difficult to measure. The U.S. Agency for International Development (USAID), the largest contributor to the assistance program, has not committed to a set of performance indicators to measure the success of its programs as traditionally required for proper project management. Moreover, the U.S. Embassy Islamabad has not identified a core set of development indicators by which to measure the success of the U.S. Government development strategy—including the efforts of USAID, the Department of State (DOS), and the Department of Defense (DOD).

For FY 2010, Congress appropriated \$1.514 billion¹ for the civilian assistance strategy. The U.S. Embassy reported that as of December 31, 2010, \$3.931 billion in FY 2009, 2010, and 2011 funds had been obligated. These funds support high-impact, high-visibility infrastructure; focused humanitarian and social services; and government capacity development. The funds also support shifting requirements and needs as determined by the U.S. Government in consultation with the Government of Pakistan.

Pakistan's unprecedented summer floods, which affected over 20 million people, constituted a major shift in funding requirements and needs. The U.S. Government response to the floods was rapid and significant and closely coordinated with federal and local authorities in Pakistan. As echoed in bilateral and multilateral meetings held during the reporting period, the United States remains committed to supporting the Pakistani people from relief to recovery and reconstruction. To demonstrate its commitment, the United States recently pledged an additional \$500 million in assistance funds.

Amid recovery and early reconstruction efforts, USAID reported an increase in awards to Pakistani institutions. As of December 31, 2010, USAID has made 76 awards totaling \$1.361 billion to governmental and nongovernmental Pakistani institutions. To overcome flood-related risks posed to the civilian assistance strategy, such as a loss of momentum in planning and implementing programs and potential damage to relationships established with Pakistani stakeholders, USAID has moved as expeditiously as possible reprioritizing activities and reallocating funds and has maintained contact with key counterparts to sustain important political relationships while programs remain on hold. To improve monitoring and oversight of its programs, USAID conducted preaward assessments of local implementing partners and expanded its regional offices. However, ongoing security threats impede effective implementation and monitoring of assistance programs.

Oversight entities have also taken steps to ensure that U.S. Government funds are protected against waste and theft. The DOS Office of Inspector General (OIG) established a field office in Islamabad, while USAID OIG expanded its field office in Pakistan. USAID OIG has vetted independent Pakistani accounting firms that will conduct financial audits of funds provided to Pakistani nongovernmental

¹ This amount was authorized under the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73) and does not include other assistance funds provided by Congress for Pakistan.

organizations (NGOs), provided financial audit training and fraud awareness briefings, and collaborated with USAID/Pakistan to establish a fraud hotline.

During the period covered by this report, October 1 through December 31, 2010, USAID OIG completed four audits, including performance audits of two livelihood development programs in the Federally Administered Tribal Areas (FATA). The goal of both programs is social and economic stabilization to counter the growing influence of extremist and terrorist groups. The audits found the programs had made little progress in achieving the goal largely because of the hostile environment—the chief of party for one implementing partner was assassinated—but also because of a lack of baseline data and inadequate oversight, which resulted in questioned costs of \$767,841. Security issues and allegations of wrongdoing overshadowed and impeded program progress. USAID/Pakistan terminated its agreement with one implementing partner, the U.S.-based Academy for Educational Development (AED), after an ongoing OIG investigation revealed fraud stemming from false statements and claims, failure to perform in accordance with the terms of the agreement, and violation of statutory or regulatory provisions contained in the agreement.

The OIG investigation resulted in additional benefits for the United States. After OIG investigators substantiated corporate misconduct, USAID suspended AED from receiving new U.S. Government awards pending completion of the investigation. The AED board of directors accepted the organization's responsibility for the mismanagement of the USAID-funded program in Pakistan and required AED's president and chief executive officer and four other senior executives to leave the organization.

Background

In FY 2010, Congress appropriated \$1.514 billion² to support the State Department's December 2009 strategy for providing civilian assistance to Pakistan.

This reporting period was marked by a high level of activity—the presentation of findings about flood damage, meetings of international delegations and working groups, and the hosting of the Pakistan Development Forum—as well as by the WikiLeaks incident and the loss of the U.S. Special Representative for Afghanistan and Pakistan.

During the Friends of Democratic Pakistan meeting held in Brussels in mid-October, the World Bank and Asian Development Bank presented their findings from a joint damage and needs assessment quantifying Pakistan's needs and requirements following the summer floods.³ The assessment sought to provide the strategic underpinnings for medium- to long-term reconstruction and recovery planning, prioritization, and programming. The assessment found that the agricultural sector was the hardest hit, accounting for 50 percent of the overall cost of the damage. Damage from the floods was estimated at \$10 billion.⁴

Later that month, U.S. Secretary of State Clinton welcomed Pakistan's Foreign Minister Qureshi for the third ministerial-level Strategic Dialogue, held October 20–22, 2010, in Washington. The two officials reaffirmed their countries' shared values, mutual respect, and mutual interests. This Strategic Dialogue included meetings of 10 of the 13 sectoral working groups, including those on agriculture, water, energy, health, and women's empowerment. The working groups compiled plans and benchmarks and discussed next steps in implementing joint projects in each sector.

On the heels of the meeting in Brussels and the bilateral Strategic Dialogue, the Government of Pakistan hosted over 30 countries and organizations, including a delegation from the United States, at the Pakistan Development Forum in Islamabad on November 14–15, 2010. Senior officials from all concerned Pakistani ministries participated, along with representatives of business, academia, and civil society. The Pakistan Development Forum provided an opportunity for Pakistan to present its economic reform and stabilization plans; announce progress on tax reforms, energy reforms, and fiscal consolidation; and review the response to Pakistan's devastating floods.

At the Pakistan Development Forum, the U.S. Special Representative for Afghanistan and Pakistan, Ambassador Richard Holbrooke, announced that the United States would reallocate assistance funds to Pakistan to target flood recovery and reconstruction. In addition to the \$500 million already provided by the United States for flood relief, Ambassador Holbrooke said the United States would commit

² This amount was authorized under the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73) and does not include other assistance funds provided by Congress for Pakistan.

³ Friends of Democratic Pakistan, joint communiqué, Brussels, October 15, 2010.

⁴ *Pakistan Floods 2010: Preliminary Damage and Needs Assessment*, Islamabad, November 2010.

another \$500 million—equal to one-third of the civilian assistance budget for the year—to help flood victims recover and rebuild. The provision of the additional funding was designed to demonstrate the U.S. commitment to expanding its partnership with Pakistan. The U.S. Administration has been working closely with Congress and Pakistan’s leadership to determine how best to deploy these funds so that they further Pakistani priorities. Potential uses include a Citizens Damage Compensation Fund, agricultural initiatives in hard-hit regions, small-scale infrastructure projects, the rebuilding of schools, and other projects to be determined in close consultation with the Pakistani Government.⁵

Despite high-level engagement, the U.S. civilian assistance program experienced setbacks. In late November, the WikiLeaks incident occurred, in which classified documents containing U.S. diplomats’ assessments of policies, negotiations, and leaders around the world, as well as records of private conversations with people inside and outside government, were released to the media by the owners of the WikiLeaks Web site. In light of the leaks, which led the Pakistani media to question U.S. intentions in the country, the new U.S. Ambassador emphasized his commitment to strengthening the U.S. partnership with Pakistan to meet shared challenges, noting that “Pakistan is an important strategic partner of the United States.”⁶

The leaking of information was followed by the death of Ambassador Richard Holbrooke, the U.S. Special Representative for Afghanistan and Pakistan, on December 13, 2010. In a statement afterward, President Obama attributed progress made in Afghanistan and Pakistan to Ambassador Holbrooke’s “relentless focus on America’s national interest, and pursuit of peace and security.”⁷

Days after Ambassador Holbrooke’s death, the Obama Administration presented its annual review of U.S. strategy in Afghanistan and Pakistan.⁸ The review emphasized the strategic importance of Pakistan in defeating al-Qa’ida and preventing its return to the region. The review also noted that progress in the U.S.-Pakistan relationship over the past year was substantial, albeit uneven. The Strategic Dialogue meetings helped improve mutual trust, prompted attention to important reforms critical to long-term stability, and addressed development objectives important to the people of Pakistan.

The strategy the United States has followed for civilian assistance in Pakistan since December 2009⁹ has three objectives:

- Improve the Government of Pakistan’s capacity to address the country’s most critical infrastructure needs.
- Help the Pakistani Government address basic needs and provide improved economic opportunities in areas most vulnerable to extremism.

⁵ U.S. Embassy Islamabad, “U.S. Accelerates \$500 Million of Kerry-Lugar-Berman Funds for Post-Flood Recovery and Reconstruction,” press release, November 15, 2010.

⁶ U.S. Embassy Islamabad, “WikiLeaks – the U.S.-Pakistan Partnership,” press release, November 29, 2010.

⁷ “Obama on Passing of Ambassador Richard Holbrooke,” December 13, 2010.

⁸ The White House, “Overview of the Afghanistan and Pakistan Annual Review,” December 2010.

⁹ The Department of State developed a strategy (*Pakistan Assistance Strategy Report*, December 14, 2009), in connection with the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73), which seeks to align U.S. assistance more closely with Pakistan’s development and investment priorities.

- Strengthen Pakistan’s capacity to pursue economic and political reforms that reinforce stability.

In furtherance of these objectives, the strategy features assistance programming in five areas: (1) high-impact, high-visibility infrastructure, (2) focused humanitarian and social services—immediate postcrisis and humanitarian assistance, (3) focused humanitarian and social services—increased access to and quality of education and health services, (4) government capacity development—improved national and local governance, and (5) government capacity development—improved security and legal institutions.

Program Status

The U.S. departments and agencies delivering development assistance in Pakistan are designing and implementing programs to accomplish the objectives of the U.S. Government's civilian assistance strategy. The following sections provide an overview of status of programs in the areas of flood response: high-impact, high-visibility infrastructure; postcrisis and humanitarian assistance; education and health services; national and local governance; and security and legal institutions.

The U.S. Embassy reported that as of December 31, 2010, \$3.931 billion in FY 2009, 2010, and 2011 funds had been obligated to support the civilian assistance strategy (Table I). Of this amount, \$109 million in FY 2011 funds were obligated, most of which supports flood response efforts.

Table I. Program Financial Status as of December 31, 2010
(\$ Millions)

Program	Manager	Obligations				Pipeline Amount*
		FY 2009	FY 2010	FY 2011	Total	
Flood Response: Emergency Relief and Early Recovery						
World Food Programme	USAID	–	144.0	95.8	239.8	20.0
Humanitarian programs – Office of Transition Initiatives, Pakistan's National Disaster Management Authority, Pakistan Poverty Alleviation Fund (PPAF), Rural Support Programmes Network (RSPN)	USAID	–	60.0	–	60.0	40.0
Humanitarian programs – Office of Foreign Disaster Assistance (OFDA)	USAID	–	198.3	–	198.3	66.9
Narcotics Affairs Section (NAS), U.S. Embassy	NAS	–	In-kind support	–	–	–
Pakistan Internally Displaced Persons	Political Affairs Section (POL), U.S. Embassy	–	49.3	–	49.3	–
Overseas Humanitarian, Disaster, and Civic Aid	DOD	–	113.0	–	113.0	5.0
Subtotals			564.6	95.8	660.4	131.9
High-Impact, High-Visibility Infrastructure						
International Trade Administration, Department of Commerce (DOC)	DOC	0.8	3.8	–	4.6	1.3

Program	Manager	Obligations				Pipeline Amount*
		FY 2009	FY 2010	FY 2011	Total	
Foreign Agriculture Programs	U.S. Department of Agriculture	44.0	–	–	44.0	43.0
USAID transfer to U.S. Trade and Development Agency (USTDA)	USTDA	5.0	–	–	5.0	9.4
FATA roads, bridges	NAS	15.0	–	–	15.0	12.9
FATA roads (Swat, Ring Road)	NAS	40.0	–	–	40.0	40.0
Energy	USAID	125.0	108.8	–	233.8	183.0
Agriculture	USAID	95.0	130.6	–	225.6	159.0
Economic growth	USAID	166.0	234.7	–	400.7	404.5
Subtotals		490.8	477.9	–	968.7	853.1
Focused Humanitarian and Social Services						
Health/Water	USAID	102.0	196.5	–	298.5	282.5
Health	USAID	–	–	–	–	–
Education	USAID	163.5	239.8	–	403.3	349.5
Humanitarian assistance	USAID	209.0	75.0	–	284.0	8.9
Humanitarian programs – OFDA	USAID	101.5	6.3	2.1	109.9	86.4
World Food Programme	USAID	55.4	98.3	–	153.7	–
USAID transfer to U.N. Bhutto Commission	United Nations	1.0	–	–	1.0	–
Community Stabilization and Humanitarian Assistance Fund	DOD/DOS	10.0	–	–	10.0	9.1
Mitigating Child Labor	Department of Labor	–	4.0	–	4.0	–
Mine Action – Response International	POL	0.5	–	–	0.5	0.2
Trafficking in Persons	POL	0.5	–	–	0.5	0.4
Pakistan Internally Displaced Persons	POL	59.6	42.0	–	101.6	–
Afghan Refugees	POL	74.7	45.3	–	120.0	–
Fulbright	PAS	19.5	19.5	–	39.0	19.5
Other exchanges	PAS	5.0	6.0	–	11.0	–
Public diplomacy operating expenses	PAS	2.0	2.0	–	4.0	–
Subtotals		804.2	734.7	2.1	1,541.0	756.5

Program	Manager	Obligations				Pipeline Amount*
		FY 2009	FY 2010	FY 2011	Total	
Government Capacity Improvement						
Drug Enforcement Administration (DEA)	DEA	1.5	1.5	1.5	4.5	–
Energy programs	Department of Energy	66.6	94.2	–	160.8	79.3
Immigration and Customs Enforcement	Department of Homeland Security	1.1	1.1	1.1	3.3	–
Federal Bureau of Investigation (FBI)/Legal Attaché Office	FBI	1.0	1.8	1.0	3.8	1.3
Democracy Rights Labor	POL	6.8	5.7	0.7	13.2	1.5
Democracy – National Endowment for Democracy	POL	–	–	–	–	–
Counternarcotics	NAS	3.0	5.5	–	8.5	8.8
Border Security (Aviation)	NAS	37.0	45.9	–	82.9	73.0
Border Security (Commodities, Training)	NAS	0.2	–	–	0.2	5.3
Police/law enforcement training/rule of law	NAS	51.0	66.6	–	117.6	158.6
Demand Reduction/Awareness	NAS	0.5	1.5	–	2.0	2.7
Program development support	NAS	9.8	4.4	–	14.2	–
Counterterrorism	Regional Security Office (RSO), U.S. Embassy	11.8	8.5	–	20.3	23.9
Biosecurity Engagement	Economic Affairs Section, U.S. Embassy	12.5	16.0	–	28.5	9.7
U.S. Institute of Peace (USIP)	USIP	0.0	0.9	–	0.9	0.3
Democracy/Governance	USAID	40.0	116.4	–	156.4	210.4
Office of Transition Initiatives	USAID	68.0	20.0	–	88.0	32.0
Subtotals		310.8	390.0	4.3	705.1	606.8
Other Programs						
Strategic communications	DOD	7.0	7.0	7.0	21.0	–
Strategic communications	PAS	30.9	4.0	–	34.9	46.0
Subtotals		37.9	11.0	7.0	55.9	46.0
Totals		1,643.7	2,178.2	109.2	3,931.1	2,394.3

Source: U.S. Embassy Islamabad.

* The Embassy provided pipeline amounts that capture unspent funds from FY 2002–11. These amounts are not comparable to FY 2009, 2010, and 2011 obligations or accurate indicators of expenditures for those years.

Flood Response

Pakistan experienced the worst floods in its history during August and September 2010. The flooding has affected over 20.3 million people, caused approximately 1,980 deaths, and destroyed or damaged about 1.7 million houses. (The map on the following page shows areas affected by the flooding.) The U.S. Government has been working closely with the Government of Pakistan and the international community to determine how best to make the transition from relief and early recovery to recovery and reconstruction.

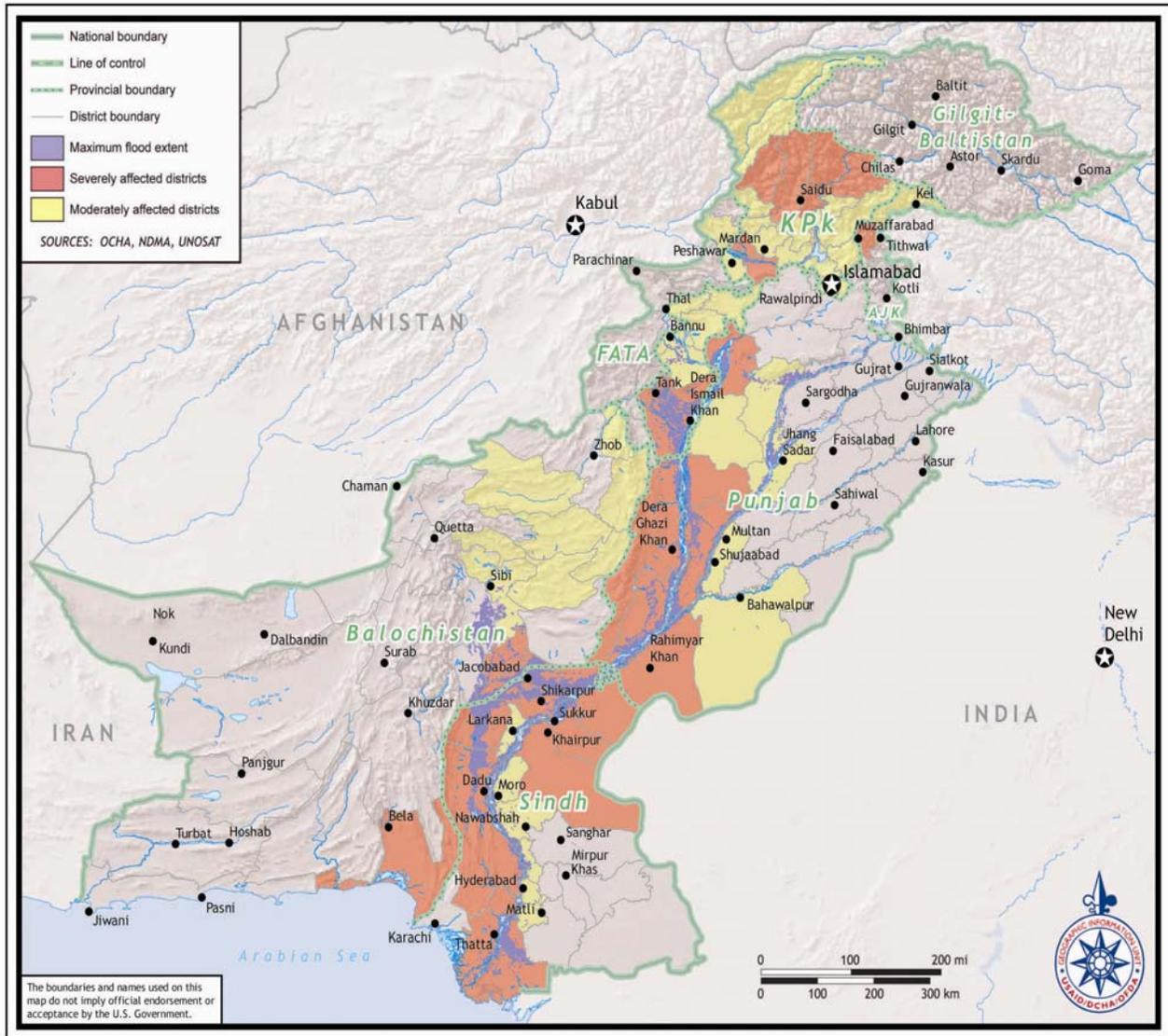
In total, USAID and DOS provided over \$570 million in humanitarian assistance for relief and early recovery from Pakistan's floods. This includes support from USAID's Office of Foreign Disaster Assistance (OFDA), USAID's Office of Food for Peace, and DOS's Bureau of Population, Refugees, and Migration. Assistance activities include provision of water, shelter, food security, and nutrition. Assistance provided also supports economic recovery and development of market systems as well as humanitarian coordination and information management. In addition, the U.S. Department of Defense provided assistance for search and rescue, transport of key relief personnel, and the procurement and transport of relief supplies throughout flood-affected provinces. As a result of DOD's support, over 40,000 Pakistanis were moved out of harm's way, and over 25 million pounds of supplies were transported for distribution to those in need. DOD personnel flew over 7,700 hours at a cost of nearly \$1 million a day during uninterrupted flight time in support of the U.S. Government's humanitarian aid operation. DOD concluded its humanitarian assistance operations on November 30, 2010.

USAID/Pakistan's early recovery activities totaled \$69.8 million—including \$10 million from the FY 2010 base appropriation, \$50 million from the FY 2010 supplemental appropriation, and \$9.8 million from prior-year funds. Of this total, \$47 million supports the U.N. Food and Agriculture Organization in distributing wheat and vegetable seeds, fertilizers, and other farming inputs and providing cash-for-work opportunities to flood-affected farmers in Khyber Pakhtunkhwa and Punjab, while \$15 million supports RSPN in providing sunflower seeds and fertilizer packages to farm families in Sindh. Together these programs are designed to help provide food security to over 660,000 families by enabling them to jump-start the winter planting season. The funds also supported the two local organizations, RSPN and PPAF, in procuring and distributing relief goods and food to flood-affected individuals. USAID also supported Pakistan's National Disaster Management Authority, through a grant to the International Organization for Migration (IOM), in procuring and distributing relief supplies. Other funding supported mobile health teams, immunizations, a safe drinking water project, and the procurement of reproductive health kits for thousands of flood-affected pregnant women. A small grants program is also providing \$5 million to assist flood-affected households with education and health services, community development, and the protection of women and minority rights.

As Pakistan enters the recovery and reconstruction stage, USAID is considering how to address the extensive damage while continuing to focus on the long-term goals of the Enhanced Partnership with Pakistan legislation. As noted above, at the Pakistan Development Forum, held November 14-15, 2010, in Islamabad, Special Representative for Afghanistan and Pakistan Richard Holbrooke announced U.S. plans to commit up to \$500 million from existing appropriations to support flood recovery and reconstruction. USAID/Pakistan has carefully reviewed its budget, and in coordination with the

Embassy, the Department of State, and the Government of Pakistan's Economic Affairs Division, is working to determine what flood recovery and reconstruction activities the U.S. Government will support.

Flood Map of Pakistan



Source: USAID's Office of Foreign Disaster Assistance, Geographic Information Unit.

High-Impact, High-Visibility Infrastructure

As the name implies, this category of assistance is intended to make a big difference in the Pakistani economy, a difference that improves people’s livelihoods quickly, noticeably, and directly. The sectors in which infrastructure programs are most critical are energy and agriculture—energy because all businesses rely on it, and agriculture because it employs 60 percent of the population and consumes 90 percent of the country’s water. Chronic periodic shortages of both power and water limit economic growth, as does inadequate infrastructure for agroenterprise. USAID, the U.S. Department of Agriculture (USDA), the U.S. Department of Commerce (DOC), and the U.S. Embassy’s Public Affairs Section (PAS) support programs under this category of assistance.

USAID has 23 high-impact, high-visibility programs under way. USAID’s programs seek to assist the Government of Pakistan in supplying hydropower through the rehabilitation of the Gomal Zam and Satpara Dams to meet growing energy demands. USAID’s current programs also support Pakistan’s provincial governments with water management, supply, and sanitation; health facilities; and the delivery of municipal services. Table 2 lists USAID’s programs along with status details.

Table 2. USAID’s High-Impact, High-Visibility Infrastructure as of December 31, 2010

Implementing Partner	Program Description	Status
Water and Power Development Authority (WAPDA)	Satpara Dam, hydropower and irrigation	Current; Secretary certification submitted to Congress*
WAPDA	Gomal Zam Dam, hydropower and transmission line completion	Current; Secretary certification submitted to Congress*
WAPDA	Gomal Zam irrigation (agriculture)	Current; preparing to conduct environmental assessment
WAPDA	Tarbela hydroelectric power station rehabilitation	Current; to install equipment in Jan. 2011
Ministry of Water and Power, Power Generation Company (GENCO I)	Jamshorro thermal power station repair and maintenance	Current; received equipment
GENCO II	Muzaffargarh thermal power station repair and maintenance	Current; received equipment
GENCO III	Guddu thermal power station repair and maintenance	Current
WAPDA	Wind-power generation project in Sindh	Current; signed agreement in Nov. 2010; Overseas Private Investment Corporation also funding
International Resources Group	Irrigation Tube Well Efficiency Improvement Program	Current; first 250 tube wells under pilot program completed Nov. 2010
Provincial Government of Balochistan	Balochistan surface water management (Agriculture)	Current; completed initial implementation assessment
Ministry of Food and Agriculture	High-Efficiency Irrigation Systems Program	Current; funding delayed until FY 2011 at Government of Pakistan’s request
Provincial Government of Sindh	Water supply and sanitation programs in Jacobabad	Current
Provincial Government of Khyber Pakhtunkhwa	Water supply and sanitation programs in Peshawar	Current

Implementing Partner	Program Description	Status
Ministry of Health and Provincial Government of Punjab	Lady Willingdon Hospital	Current; most rehabilitation plans complete and Secretary certification submitted to Congress*
Ministry of Health and Provincial Government of Sindh	Jacobabad Civil Hospital	Current; assessment and design complete and Secretary certification submitted to Congress*
Ministry of Health and Provincial Government of Sindh	Jinnah Postgraduate Medical Center OB-GYN/Fistula Ward	Current; assessment and design complete and Secretary certification submitted to Congress*
Winrock International	Karachi warehouse to store immunization and other medical supplies	Current; construction approximately 66 percent complete
Habib-Rafique (Pvt.) Ltd./ CDM	Construction of Parliamentary Institute	Current; construction approximately 33 percent ahead of schedule
Provincial Governments of Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan	Municipal Services Delivery Program	Current; Punjab Planning and Development Department signed implementing letter on Dec. 3, 2010
IOM, Creative Associates, Internews	Pakistan Transition Initiative in FATA	Current; 1,300 activities under way or completed, including 375 village water systems, 200 flood walls, 150 school renovations, and 125 road repairs
Government of Pakistan / FATA Secretariat / Frontier Works Organization	South Waziristan Quick Impact Program (road, water, and electricity)	Current
Provincial Government of Khyber Pakhtunkhwa / Provincial Reconstruction Rehabilitation, and Settlement Authority (PaRRSA)	Malakand Quick Impact Program (schools, health, water and sanitation, government capacity)	Current; construction has begun on 44 schools
DOC	Commercial Law Development Program: Advisors to support Gem and Mineral Markets	Current

Source: USAID/Pakistan.

* The FY 2010 appropriations bill makes funds available for government-to-government assistance to Pakistan only if the Secretary of State certifies “that the U.S. Government and Pakistan have agreed, in writing, to clear and achievable goals and objectives for the use of the funds, and have established mechanisms within each implementing agency to ensure that the funds will be used for the purpose for which they are intended.”

In response to USAID OIG’s request for information on the progress of these programs, USAID provided its performance indicators, but no information on actual progress. The performance indicators listed below differ from the illustrative indicators provided in previous reports because USAID/Pakistan is still establishing new indicators and targets across all sectors. Accordingly, progress on programs under this category of assistance will be available when USAID begins to track results achieved on its performance indicators. We believe that USAID has an imperative to accumulate, analyze, and report information on the results achieved under its programs. One year after the launch of the civilian assistance strategy in Pakistan, USAID has not been able to demonstrate measurable progress.

The following are the illustrative FY 2011 indicators reported by USAID:

- Additional megawatt capacity constructed/rehabilitated as a result of U.S. Government (USG) assistance (target and result: no data).
- Cumulative number of households with electricity as a result of USG assistance (target and result: no data).
- Number of/percent change in gigawatt hours produced annually (target and result: no data).
- Percent change in load shedding—cutting off energy on certain lines when demand exceeds supply (target and result: no data).
- Percent of end users demonstrating decreased use of energy (target and result: no data).
- Number of farmers who have adopted new technologies or management practices as a result of USG assistance (target and result: no data).
- Number of additional hectares under improved technologies or management practices as a result of USG assistance (target and result: no data).
- Number of flood-affected watercourses (irrigation channels) rehabilitated (target and result: no data).

USAID reported the following examples of success in its portfolio of energy programs:

- The pilot of the Tube Well Efficiency Improvement Program has been completed with the replacement of 250 inefficient tube wells. The mission's Energy Office is finalizing agreements to continue the program and replace up to 11,000 tube well pumps, which will reduce farmers' electric bills by approximately \$7.7 million.
- USAID and Pakistan's Ministry of Water and Power signed a statement of intent to support a public-private partnership increasing wind energy use in Sindh Province.

USAID also reported the following challenges to the implementation of its energy, agriculture, and economic growth programs:

- Congress has raised concerns about the USAID assessment of the Satpara Dam, and funding will not be obligated until consultations are complete.
- As noted last quarter, progress on implementing high-efficiency irrigation systems through a Government of Pakistan program has stalled after the government asked that this program be delayed until 2011, as flood recovery needs were more immediate. Also, the amended proposal for

high-efficiency irrigation has yet to be approved by Pakistani Government's Central Development Working Party.

- Hiring sufficient and skilled staff in a timely manner remains a challenge. The program is growing rapidly, and the hiring process has not yielded expected results.
- New agriculture and energy projects are being put on hold until funding is reprogrammed for flood recovery.

USDA's programming in this category focuses on modernizing agricultural infrastructure. Last quarter USDA signed a \$30 million Food for Progress grant agreement with a U.S.-based NGO to implement a new Pakistan Agriculture and Cold Chain Development Project. The project aims to advance agriculture in the Balochistan Province of southwest Pakistan by linking private sector participants in the production of perishable goods with new cold-chain facilities¹⁰ and enhanced production techniques. Implementing international phytosanitary and regulatory standards will also help shift horticultural and fish production toward larger, more profitable markets. By carrying out these activities, the project seeks to improve food quality and supply, realize higher prices for producers, and deliver a higher-value product to consumers. Winrock International, the U.S.-based grantee, has begun implementation.

As reported for the past two quarters, USDA's plan for the investment of resources to support agricultural development in Pakistan has been reviewed and approved by an interagency team and the U.S. House of Representatives Committee on Appropriations. Concept notes have been shared with Pakistani and international partners, and program design will begin shortly.

DOC programs focus on legal aspects of commercial activities. During October and November 2010, through the Commercial Law and Diplomacy Program (CLDP), a delegation of Pakistani judges visited the United States. The delegation, led by a Supreme Court justice and including four members of Pakistan's high courts, traveled to Washington, D.C., and California for a program to enhance judicial enforcement of intellectual property rights and of foreign arbitration awards. During their visit the delegates met with two U.S. Supreme Court justices; a number of U.S. and state court judges; and officials from the U.S. Patent and Trademark Office, the Federal Judicial Center, and the International Center for Settlement of Investment Disputes. In early December 2010, the Commercial Law and Diplomacy Program also organized an international workshop on business incubation centers in Islamabad. The event featured the participation of justices from Pakistan's Supreme Court, academic experts, and business executives.

DOC also reported the completion of the first draft of market research reports in support of trade and investment promotion activities. Additionally, DOC is planning a new round of investment promotion seminars, which will begin in 2011.

¹⁰ Cold-chain facilities keep goods such as food at a controlled temperature at all stages of storage and distribution.

For its part, PAS has three programs related to high-impact, high-visibility infrastructure: the procurement of electronic governance infrastructure, radio transmitter towers, and the reestablishment of public diplomacy centers.

The past quarter saw progress toward implementation of a project to build a National Data Center for Pakistan, enabling the Government of Pakistan to use e-mail, Web-hosting, and file archival technology. The signing of the program implementation letter is tentatively scheduled for March 2011. This project is an initiative of the Communications and Public Diplomacy Working Group of the U.S.-Pakistan Strategic Dialogue, administered jointly by PAS and USAID.

PAS and USAID are also working to administer a project to construct an AM radio transmitter for Radio Pakistan, which will serve the province of Balochistan. (This is in addition to the \$7 million radio transmitter tower program already being implemented in Khyber Pakhtunkhwa.) Concept review and activity approval are expected to begin in late March, following the launch of the National Data Center. Like the National Data Center, the AM transmitter is an initiative stemming from the Strategic Dialogue.

Additionally, PAS continues to consider options for public diplomacy platforms in Pakistan—possibly including secure, open-access American Centers in Islamabad, Karachi, or Lahore. DOS has advised PAS on the legal and technical requirements of such facilities, and PAS will continue to coordinate with Washington on this program.

Focused Humanitarian and Social Services: Immediate Postcrisis and Humanitarian Assistance

Through international relief agencies and local institutions, the U.S. Government channels assistance for people affected by natural disasters or ongoing military operations in Waziristan and other areas along the border with Afghanistan. In addition, the U.S. Government supports the Government of Pakistan’s efforts to provide basic health, education, and other services; rehabilitate infrastructure; and create jobs. USAID manages the largest U.S. Government humanitarian assistance programs in Pakistan, while DOD manages some smaller food and medical assistance programs.

During the reporting period, USAID had 24 programs under way to support immediate postcrisis and humanitarian assistance. Programs provided cash transfers for housing damage assistance and continue to supply safe drinking water, nutritional support, and health and hygiene kits to flood-affected areas. Table 3 lists the status of USAID’s programs for postcrisis and humanitarian assistance.

Table 3. USAID’s Postcrisis and Humanitarian Assistance Programs as of December 31, 2010

Implementing Partner	Program Description	Status
Khushhali Bank	Grants to violence-affected and flood-affected businesses, Bolton Market, Karachi	Completed; grants made to businesses destroyed by Bolton Market fire

Implementing Partner	Program Description	Status
World Food Programme	Emergency operations in Pakistan, including support for internally displaced persons (IDPs) in Hunza	Completed
World Food Programme	Food Security Relief Program in Pakistan	Completed; increased for flood response
U.N. Food and Agriculture Organization	Seed and fertilizer distribution to flood-affected farmers in Khyber Pakhtunkhwa, Punjab, and Balochistan	Completed
Government of Pakistan	Cash transfer to assist IDPs in Khyber Pakhtunkhwa	Completed
PaRRSA	Cash transfer for housing damage assistance for Khyber Pakhtunkhwa and FATA	Completed
Government of Pakistan	Cash transfer for the Benazir Income Support Program	Completed
Aga Khan University	Mobile health teams and nutritional support in flood-affected areas	Current; funds disbursed
U.N. Population Fund (UNFPA)	Reproductive health and hygiene kits for women in flood-affected areas	Current; funds disbursed
World Health Organization (WHO) and U.N. Children's Fund (UNICEF)	Immunizations for polio and measles in flood-affected areas	Current; funds disbursed
UNICEF	Maternal and child health, safe drinking water in flood-affected areas	Current; funds disbursed
World Bank	Multi Donor Trust Fund for reconstruction in border areas, a portion of which will be used to repair flood-damaged facilities	Current; funds disbursed to World Bank, and three projects will begin soon (livelihoods and economic opportunity)
PPAF	Procurement and distribution of relief supplies for flood-affected people	Current; funds disbursed
RSPN	Procurement and distribution of relief supplies for flood-affected people (Sindh)	Current; funds disbursed, and seeds to be distributed
IOM	Capacity building and procurement of relief supplies for flood-affected people on behalf of the National Disaster Management Authority	Current; funds disbursed
Chemonics	Firms project building small and medium-sized enterprises' competitiveness in areas vulnerable to conflict	Current; first dry mango product retailed in U.S. market in Dec. 2010, supporting Swat hotels and fisheries damaged by floods
CHF International, Inc.	Livelihood Development Program in lower FATA	Current; ongoing since 2008; disbursed approximately 33 percent of funding
Associates in Development	South Waziristan Agency Monitoring and Evaluation Contract	Current
Pakistan Broadcasting Corporation	Radio transmission support to FATA	Current; rehabilitation of sites scheduled for first quarter 2011
CDM	Pakistan Reconstruction Project (earthquake)	Current; 21 schools and 15 health units completed

Implementing Partner	Program Description	Status
Winrock International	Community Rehabilitation Infrastructure Support Program	Current
KPMG Taseer Hadi	Accelerated capacity building of PaRRSA	Current
UNICEF	Child Protection Center	Current
Mennonite Economic Development Associates	Entrepreneurs Program supporting women's microenterprises in vulnerable areas	Current

Source: USAID/Pakistan.

In response to USAID OIG's request for information on the progress of these programs, USAID provided the following illustrative performance indicators for FY 2011. As previously mentioned, these indicators differ from those previously reported for this category of assistance.

- Number of beneficiaries assisted by USAID-supported protection and solutions activities (target and result: no data).
- Value of income support provided to women living below the poverty line (target and result: no data).
- Percentage of disaster-affected households provided with basic inputs for survival, recovery, or restoration of productive capacity (target and result: no data).

USAID also reported the following examples of progress in its immediate postcrisis and humanitarian assistance programs:

- To restore and improve agricultural livelihoods destroyed by the floods and to address food security, the USAID/Pakistan Agriculture Office managed a crosscutting program (implemented by the U.N. Food and Agriculture Organization) that has jump-started the winter wheat planting season with seed distribution. During the quarter, over 400,000 households in Khyber Pakhtunkhwa, Balochistan, and Punjab benefited from wheat and vegetable seed distribution, and over 140,000 households in these areas received livestock supplies.
- Grant assistance was delivered to 234 Swat hotels and 22 fisheries to help them rebuild from flood damage in time for the upcoming tourist season. Further assistance will be provided on demonstration of progress toward, and commitment to, using the funds to rebuild businesses that have suffered from obsolescence, conflict damage, and the recent floods.
- The Entrepreneurs Program, supporting women-led microenterprises in vulnerable regions, has thus far assisted 20,000 women. A third cycle of microgrants will be issued to conflict-affected communities in the coming months.
- CHF International, Inc. is progressing in job creation, skills training, and income generation activities in lower FATA.

In addition to the examples of progress described above, USAID identified one significant problem in this area of assistance: the Livelihoods Program in upper FATA, implemented by AED, ended early because of allegations of fraud. On December 8, 2010, USAID suspended AED from receiving new government contracts because of an ongoing investigation.

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

This category of assistance aims to provide quality education and health services to underserved populations, particularly those living in areas likely to come under the sway of extremist groups. In education, programs intend to bring more girls into the classroom, increase the use of new educational technologies, and improve teachers' skills. In health care, the goals are to improve maternal and child care, provide family planning services, and prevent and treat diseases such as hepatitis, polio, and tuberculosis. USAID is the primary U.S. Government agency contributing to this area of assistance; USDA and PAS also manage programs in this area.

USAID has 21 programs under way to support education and health services. These programs focus on improvement in basic and higher education, maternal and child health, family planning, and polio eradication.

USAID is planning an additional four education programs and one health program with Pakistani institutions. Table 4 lists USAID's current and planned programs for education and health.

Table 4. USAID's Programs for Education and Health Services as of December 31, 2010

Implementing Partner	Program Description	Status
JSI Research and Training Institute	Pakistan Initiative for Mothers and Newborns	Completed this quarter
Abt Associates	Pakistan Safe Drinking Water and Hygiene Project	Completed this quarter
AED	Pre-Service Teacher Education Program (Pre-STEP)	Current; ongoing for 2 years
American Institutes for Research	Links to Learning—Education Support to Pakistan (Ed-LINKS)	Current; ongoing for 3 years; contributing to flood recovery
Rafi Peer Theatre Workshop	Children's Television Program – interactive teaching and learning	Current
National Academy of Sciences	Pakistan and U.S. Science and Technology Cooperation	Current; funding disbursed
AED	Higher Education Commission – Financial Aid Development Program	Current; discuss future with USAID/Washington
American University Washington College of Law	Collaborative capacity building for human rights and gender	Current; ongoing for 2 years
Government of Pakistan	Budget support to Higher Education Commission	Current; dollars disbursed and FY 2010 program content under negotiation
Government of Pakistan	Fulbright scholarships (through DOS)	Current; funding disbursed

Implementing Partner	Program Description	Status
Government of Pakistan	Higher Education Commission – Merit and Needs-Based Scholarship Program	Current; funding disbursed
Population Council	Diversification of family planning activities	Current
Contraceptive Commodities Procurement	Contraceptive commodities for the Ministries of Health and Population Welfare	Current
John Snow, Inc.	Contraceptive logistic support	Current
UNICEF, WHO	Polio eradication initiative	Current
Royal Netherlands Tuberculosis Association (Koninklijk Nederlandsche Centrale Vereeniging, or KNCV)	Tuberculosis Control Assistance Program and National Prevalence Survey	Current
Pathfinder International	Involvement of religious leaders in health and development, extending service delivery	Current
Centers for Disease Control and Prevention	Pakistan Field Epidemiology and Laboratory Training Program	Current; ongoing for 4 years
Health Services Academy of Pakistan	Developing and strengthening institutional capacity in public health training and research	Current; ongoing for 2.5 years
Save the Children	Improve children’s health in FATA	Current; ongoing for 4 years
Government of Pakistan	Disease surveillance	Current; completing design
Government of Pakistan	Maternal and child health, family planning, and immunizations	Planning stage
To be determined	Health – Higher education and training	Planning stage
Provincial Government of Punjab	Southern Punjab Basic Education Program	Planning stage
International School of Islamabad	International School of Islamabad	Planning stage
Government of Pakistan Ministries, local organizations	Universities and teaching hospitals	Planning stage

Source: USAID/Pakistan.

USAID provided the following illustrative indicators to be used in measuring progress for its education and health programs. These indicators differ from those previously reported for this category of assistance.

- Number of children less than 12 months of age who received three doses of the combined diphtheria-pertussis-tetanus vaccine from USG-supported programs (target and result: no data).
- Percentage of women of reproductive age using a modern method of contraception (target and result: no data).
- Number of births attended by skilled health personnel in target areas (target and result: no data).

- Percent change in the number of students completing primary, middle, and secondary education in target areas (target and result: no data).
- Percent change in primary school enrollment in target districts (target and result: no data).
- Number of students who receive stipends for enrollment and regular attendance (target and result: no data).
- Number of school management committees with active school improvement plans (target and result: no data).
- Number of U.S.-supported partnerships between U.S. and Pakistani higher education institutions (target and result: no data).

USAID reported the following examples of success in its education and health programs:

- Through the Financial Aid Development Program implemented by the Higher Education Commission, 36 financial aid and development personnel have received alumni association training, project management training, and communication and product development training. A corporate social responsibility meeting was held with the Arhad Chamber of Commerce to explore possible funding and collaboration between universities and private sector leaders.
- As a result of the Merit and Needs-Based Scholarship Program, approximately 400 scholarships were awarded to academically qualified students with financial need to study at Pakistani universities during the 2010-2011 academic year. An additional 413 students are continuing their education under the Merit and Needs-Based Scholarship Program. Furthermore, the Higher Education Commission, in collaboration with 11 local universities, is conducting an outreach program to offer more scholarships to female students in remote areas.
- The National Tuberculosis Survey was launched on December 13, 2010.
- The Safe Drinking Water and Hygiene Project, implemented by Abt Associates, was completed this quarter.

Despite the aforementioned success, USAID also reported a number of problems that are affecting implementation of its education and health programs:

- The Government of Pakistan does not have an approved health policy document to guide and prioritize government or donor response, complicating the design of health programs.
- The 18th amendment to the Pakistani Constitution is set to devolve responsibilities in the health sector to provincial governments in July 2011, and the federal Ministry of Population Welfare closed its doors on December 7, 2010. USAID lacks guidance from the Government of Pakistan on how devolution affects assistance delivery. Likewise, the local governance ordinances for water and sanitation have not been finalized in the provinces, where constitutional responsibility for water and

sanitation services rests. With numerous government actors operating in this sector, challenges arise related to communication, coordination, and competition for funding.

- Through the Links to Learning—Education Support to Pakistan (Ed-LINKS) Program, USAID will be supporting the rehabilitation of 135 flood-affected schools in Sindh and Balochistan (\$4 million). However, many flood-affected schools remain closed or are occupied as relief camps, which will cause a delay in implementation. The delivery of school supplies to Malakand also was delayed because of floods.
- A program leading to an associate degree in education has been launched in Pakistan with the support of the Pre-Service Teacher Education Program (Pre-STEP) implemented by AED. Pakistani researchers have been selected to conduct independent research with funding from this program. A subaward to Columbia University for technical assistance has been completed. However, USAID recently suspended AED from receiving new government contracts because of an ongoing investigation, and the U.S. Embassy in Islamabad is awaiting approval from USAID/Washington before providing additional funding to AED for Pre-STEP.
- Rafi Peer Theatre Workshop, a local implementing partner responsible for launching the Children's Television Program, conducted provincial consultation workshops in all four provinces. However, Rafi Peer's limited management and financial capacity has been a major obstacle in implementing program activities. Efforts are under way to provide additional support to strengthen the organization's financial and management capacity. USAID continues to provide regular advice to Rafi Peer in developing strong management and financial systems and is performing due diligence in processing vouchers.

USDA's programming in this category consists of the Food for Education Program, which supports increased access to and quality of education and health services. To implement the program, USDA awarded Land O'Lakes and the U.N. World Food Programme grants totaling an estimated \$17 million. Under these two grants, USDA will supply an estimated 6,540 metric tons of commodities to feed schoolchildren and an estimated \$6 million to implement rehabilitation projects and capacity-building measures for schools. USDA signed a Food for Education grant agreement with Land O'Lakes in early September 2010, and Land O'Lakes hopes to launch the school feeding program in March 2011. The World Food Programme provides fortified edible oil to students (particularly girls) as an incentive to families to send their daughters to school. The World Food Programme monitors enrollment, attendance, and retention. Nearly 3,251 schools and more than 431,000 female students participate in the programs.

PAS has two major programs that contribute to increased access to and quality of education services. PAS supports a \$35.65 million slate of academic and professional programs designed to provide enhanced educational and professional skills, leadership training, and connections with the United States for more than 6,000 Pakistanis over the next 18 months. These programs range from short-term (3-week) International Visitor Leadership Program exchanges to full academic degree programs, as well as English Access Microscholarship Programs that reach thousands of disadvantaged youth. In addition, PAS sponsors a \$16.4 million program of Fulbright exchanges, which over a period of years is designed

to substantially increase the number of faculty at Pakistani colleges and universities with master’s and doctoral degrees.

Government Capacity Development: Improved National and Local Governance

Programs in this category are intended to build capacity at the national, provincial, and local levels—particularly in targeted vulnerable areas—to provide basic municipal services, promote civil society advocacy and oversight, improve the administration and conduct of elections, enhance parliamentary function and oversight of the executive, improve the responsiveness of political parties, promote greater gender equity, and strengthen systems for accountability and transparency in public expenditures. USAID, USDA, and the U.S. Embassy’s PAS have programs to strengthen government capacity and improve governance.

USAID has 22 programs under way to improve government capacity at the national and local levels. USAID’s programs support improvements in governance through the establishment of an antifraud hotline and assistance with developing an energy plan and energy and economic policy. USAID’s programs also include civil society support. A political party development program is currently in the planning stage. Table 5 lists the status of USAID’s programs for national and local governance.

Table 5. USAID’s Programs to Improve National and Local Governance as of December 31, 2010

Implementing Partner	Program Description	Status
Transparency International	Antifraud hotline	Current; to be up and running next quarter
Transparency International	Support and Public Awareness Program	Current; ongoing since Jan. 2009; complete next year
International Republican Institute	Three nationwide polls	Current; first poll begins next quarter
International Foundation for Electoral Systems	Election Support Program	Current; to be completed next quarter
Aurat Foundation	Gender Equity Program	Current; 25 awards made to women in flood-affected areas
National Rural Support Program	Small Grants Program for Unsolicited Proposals and Chief of Mission Fund	Current
DOS	e-Governance, National Data Center	Current
Development Alternatives, Inc.	FATA Capacity Building Program	Current; contract complete this quarter
FATA Secretariat	Bajaur Urban Centers (urban planning and systems for municipal government)	Current
Advanced Engineering Associates International and Government of Pakistan	Pakistan Energy Indefinite Quantity Contract: Provide policy reform advisors to support the USAID/Government of Pakistan energy partnership	Current

Implementing Partner	Program Description	Status
International Resources Group / Pakistan Electric Power Company	Power Distribution Improvement Program to improve management capacity, financial systems, billings and collections of distribution companies	Current; operational audits under way
U.N. Food and Agriculture Organization	Assistance to Balochistan to improve livelihoods and food security	Current; funds half disbursed
Nestle	Dairy Development Initiative / Rural Development Fund: Improve milk production and marketing	Current
U.S. Geological Survey	Work with the Ministry of Petroleum and Natural Resources to assess conventional and unconventional gas reserves	Current
Advanced Engineering Associates International	Energy policy and capacity building	Current
USDA	Improve production and marketing of commodities, enhance Government of Pakistan research and extension work, help eradicate agricultural diseases	Current
Deloitte Consulting, LLC	Improve customs procedures and Pakistani Commercial Service to increase exports and trade at Afghan border	Current; approximately 25 percent disbursed
Ministry of Finance	Competitive Support Fund: Advisors to provide technical assistance on policy decisions, regulatory frameworks, and public-private partnerships	Current; ongoing 4.5 years
U.S. Department of the Treasury	Tax, debt, and banking regulation advisors to the Government of Pakistan	Current
Multiple implementing partners (blanket purchasing agreement)	Technical advisors embedded in Ministry of Health and provincial units	Current
State Bank of Pakistan; Kashf Microfinance; others to be determined	Microfinance	Current
To be determined	Political Party Development Program	Planning stage

Source: USAID/Pakistan.

USAID identified the following illustrative performance indicators for monitoring and evaluation of its programs for improved national and local governance. Two of the three indicators differ from those previously reported for this category of assistance.

- Percent of citizens that express confidence in target institutions and processes (target and result: no data).
- Percent of targeted municipalities that make decisions based on joint citizen-local government planning board or working groups (target and result: no data).
- Number of civil society organizations receiving USG-assisted training in advocacy (target and result: no data).

In addition, USAID provided examples of success in its government capacity development programs:

- The Small Grants Program distributed more than \$529,000 to ten civil society organizations throughout Pakistan. By early 2011, the Gender Equity Program is expected to distribute approximately \$1.5 million to 23 Pakistani NGOs and 6 Government of Pakistan organizations including women's crisis centers in four cities. These programs create opportunities for capable Pakistani NGOs, civil society organizations, and community groups to pursue small-scale, innovative projects in support of U.S. Government strategic goals in Pakistan. These activities are fostering greater visibility at the grassroots level for USAID assistance in Pakistan.
- The International Republican Institute received a \$500,000 cooperative agreement to implement a nationwide polling project and expects to conduct its initial survey in January 2011.

USAID also reported challenges to implementing its programs for improved governance:

- Several key programs are on hold because of the devastating floods and redirection of funding to relief. Little progress was made on the time-sensitive Election Support Program. The request for applications for the Political Party Development Program was ready to be issued, but was placed on hold because of flood relief priorities.
- As reported last quarter, securing government buy-in in FATA remains a key challenge for any program focused on improving governance. Weak coordination among Government of Pakistan entities is also an obstacle to coordinating actions and making progress.

Under this category, USDA manages three types of programs to build Pakistani institutional capacity in the agricultural sector:

- Endowments are used to support agricultural research and development activities in accordance with Pakistan's long-term development goals and to promote scientific cooperation between Pakistani and U.S. agricultural scientists. Since 2000, USDA has established six endowments totaling \$56.7 million. Of this amount, \$6.7 million was recently transferred to the economic wing of the Ministry of Food and Agriculture after a 2-year delay spent transferring funds among three ministries; opening a new account; and preparing, vetting, approving, and signing Recipient Agency Agreements with the Agricultural University of Peshawar and the Pakistan Forest Institute.
- Exchange programs for technical assistance are used to develop linkages between Pakistani scientists and their counterparts in the United States. USDA plans to expand the number and quality of exchanges between Pakistani and U.S. scientists to improve the capacity of Pakistan's agricultural research system. USDA is currently reviewing program proposals to implement in 2011.
- The Trilateral (Afghanistan-Pakistan-United States) Secretariat on Agriculture established three working groups: Food Security and Applied Research, Water Management, and Trade Corridors. On October 20, 2010, members of the Agricultural Trilateral subsequently met in Washington, D.C., to renew their commitment to the agricultural investment strategy and ongoing agricultural

development projects. Progress on implementation of the agricultural strategy was highlighted by initiation of USDA's Wheat Productivity Enhancement Program, Cotton Productivity Enhancement Program, and Animal and Plant Disease Control Programs in collaboration with its Pakistani partners. Cross-cutting initiatives such as USAID's Satpara Dam and Irrigation Program and the Irrigation Tube Well Efficiency Program are on track as originally planned. Both the U.S. Government and the Government of Pakistan reaffirmed that such water storage and delivery initiatives are imperative to the advancement of Pakistan's overall agricultural sector. The next Agricultural Trilateral meeting is scheduled for February 24-26, 2011, in Washington, D.C.

PAS contributes to government capacity building through its communications programs. PAS reported on two programs, one supporting the development of regulatory policy for telecommunications and the other arranging government exchanges.

In addition to creating the National Data Center for Pakistan (described under high-impact, high-visibility programs), PAS will also assist the Ministry of Information Technology in building the legal infrastructure for a modern telecommunications regulatory policy. Telecommunications policy development is a Strategic Dialogue initiative, and to this end PAS will facilitate consultations between Ministry officials and their counterparts in the United States.

PAS has also developed exchange programs for midcareer government professionals that will occur throughout 2011. These exchanges include graduate degree programs for Pakistani diplomats, internships for public information professionals, and International Visitor Leadership Programs for government spokespeople and water resource managers.

Government Capacity Development: Improved Security and Legal Institutions

This category targets areas prone to conflict and those with a weak government presence. Assistance focuses on improving policing and expediting the disposal of legal cases through the court system. The U.S. Embassy's Narcotics Affairs Section (NAS), Regional Security Office (RSO), and PAS support assistance programs in this category.

As previously reported, NAS, in coordination with other U.S. law enforcement agencies in Pakistan, manages five programs that support improved security and legal institutions. These programs address counternarcotics, border security and related infrastructure, law enforcement reform through police and prosecutor training, and support for the Ministry of Interior's Air Wing. According to NAS, all of its projects are implemented in partnership with the Government of Pakistan, and the infrastructure projects use Pakistani contracting mechanisms.

On December 11, 2010, NAS and the Government of Pakistan signed a letter of agreement authorizing expenditure of an additional \$40 million in supplemental U.S. Government assistance funds for FY 2010. The funds will support police reform programs in Punjab and Sindh Provinces, a national women's police program, and a corrections program.

To measure the progress of its new programs, NAS identified the following performance indicators:

- Number of law enforcement officials trained, number of police facilities reconstructed or rehabilitated, and amount of equipment delivered for the Punjab and Sindh Police Reform Program and the Women's Police Program.
- Completion of a prison census, number of corrections officers trained, and training facility established for the corrections program.

NAS reported the following successes for its current programs:

- *Number of hours flown by the Air Wing under the aviation program.* During the reporting period, the Air Wing program logged 492 hours. Missions of note included the completion of flood relief support with the Pakistan Army and National Disaster Management Agency in Sindh Province, support of Pakistan Anti-Narcotics Force operations along the Iran and Afghanistan borders, support of the Frontier Corps in Balochistan and in Khyber Pakhtunkhwa, and support of the Sindh Rangers in Karachi during civil unrest.
- *Number of kilometers of road constructed and percentage of other infrastructure projects completed under the infrastructure program.* Three counternarcotics roads are under construction in the Prang Ghar region of Mohmand Agency.
- *Number of law enforcement officials trained, number of police facilities reconstructed or rehabilitated, and amount of equipment delivered under the Civilian Law Enforcement Reform Program.* More than 400 law enforcement officials from across Pakistan received training on topics ranging from basic criminal investigations to training management.
- *Amount of equipment delivered under the Civilian Law Enforcement Reform Program.* Nearly \$1 million worth of commodities—barriers and barbed wire—were delivered to the Khyber Pakhtunkhwa police. An additional \$677,647 worth of commodities such as training supplies, generators, ambulances, and communication equipment were ordered for the Khyber Pakhtunkhwa police, the Anti-Narcotics Force, Frontier Scouts, and other law enforcement entities.

NAS reported that although its programs are making progress, challenges have slowed implementation:

- Many police stations were in the path of the unprecedented floods that devastated Pakistan. Commodities now in the pipeline will help in reconstituting law enforcement capability in Khyber Pakhtunkhwa. NAS has coordinated with the U.N. Office on Drugs and Crime, which is developing its own plan for rebuilding flood-damaged capacity, to avoid duplication of effort.
- Police facilities across the country continue to be targeted, although improved security measures have reduced attacks compared with last quarter. Police trainers in particular continue to be the

targets of hostile surveillance. NAS continues to monitor threat reporting closely and take every possible precaution to ensure the safety of police instructors.

- Visas for police trainers remain a challenge, although the situation has improved markedly over the last quarter. Typically, outside trainers have been issued 30-day single-entry visas that are not appropriate for their duties. In addition to the visa problem, clearances for access to the Air Wing compound are tightly controlled and often denied by the Frontier Corps-Balochistan.
- Delays in commodity shipments occur routinely when Government of Pakistan ministries postpone the issuance of certificates to allow such shipments to clear customs. Whether this is the result of inefficiency or a rent-seeking arrangement predicated on the expectation of collecting demurrage fees (which NAS categorically refuses to pay) is unknown, but the effect is adding 2–6 months to the delivery time for vitally needed commodities, including vehicles and body armor.

The RSO at the U.S. Embassy in Islamabad reported on its antiterrorism assistance. The RSO provides a full range of tactical and investigative courses and support to Pakistani federal and provincial law enforcement agencies, especially those operating in Khyber Pakhtunkhwa and Balochistan. During the reporting period, the RSO conducted six courses and trained 121 officers. Two of the six courses—on the protection of high-ranking officials and crisis response—were instructor development courses for Pakistani trainers.

PAS also contributes to this category of assistance by supporting exchange programs. These include short-term visits for Pakistani border control officers to meet and work with their counterparts in the United States, strengthening partnerships and exchanging ideas.

Assistance to Pakistani Institutions

To ensure greater Pakistani responsiveness and increase the sustainability of civilian programs, the United States plans to implement more programs through Government of Pakistan institutions, including national and provincial governments, Pakistani contractors, grantees, and institutions.¹¹ As noted in previous quarterly reports, the purpose of this shift is to:

- Align programs with locally identified priorities.
- Build Pakistanis' sense of ownership of programs.
- Build Pakistani institutional and leadership capacity for better fiscal management.
- Promote decentralization to more actively engage provincial and local partners and beneficiaries.

¹¹ The Enhanced Partnership with Pakistan Act of 2009 encourages the use of Pakistani firms and NGOs, as appropriate, to implement the democratic, economic, and development assistance programs authorized under Title I of the act (Section 101(c)(3)).

- Deliver assistance on-budget¹² to promote transparency, harmonization, and better budget planning by the Government of Pakistan.
- Reduce costs.

According to USAID, as of December 31, 2010, it had made 76 awards totaling nearly \$1.361 billion to Pakistani institutions (Table 6). USAID reported making 15 awards totaling approximately \$93.5 million during the reporting period. Awards made by USAID fall into one of the following four categories: budget support (cash transfers), direct funding for federal government projects, direct funding for provincial government projects, and awards to Pakistani NGOs.

Table 6. Assistance to Pakistani Institutions as of December 31, 2010

Type	Number of Awards	Value (\$)
Budget Support* (Cash Transfers)	6	359,000,000
Higher Education Commission (July 2010)	1	45,000,000
Higher Education Commission (April 2010)	1	45,000,000
Housing damage assistance for Khyber Pakhtunkhwa and FATA	1	65,000,000
Internally displaced persons in Khyber Pakhtunkhwa	1	44,000,000
Benazir Income Support Program	1	85,000,000
Benazir Income Support Program	1	75,000,000
Direct Funding for Federal Government Projects	12	491,121,000
Higher Education Commission for Merit and Needs-Based Scholarship Program [†]	1	1,500,000
High-Efficiency Irrigation Systems Program	1	50,000,000
South Waziristan Quick Impact Program (road, water, and electricity)	1	55,000,000
Malakand Quick Impact Program (schools, health, water and sanitation, government capacity)	1	36,000,000
Rehabilitation of thermal plant in Jamshorro	1	18,360,000
Rehabilitation of thermal plant in Guddu	1	18,068,000
Rehabilitation of thermal plant in Muzaffargarh	1	15,193,000

¹² Delivering U.S. assistance through Pakistan's own budgetary, spending, and accounting systems as much as possible will help the Government of Pakistan meet the fiscal targets required by the International Monetary Fund and raise Pakistanis' awareness of where U.S. funds are going and how they harmonize with resources from the Government of Pakistan and other donors. On-budget assistance should also help reduce disruptions in implementation by enabling federal and provincial governments to improve budget planning and cash-flow management.

Type	Number of Awards	Value (\$)
Tarbela hydropower plant rehabilitation and repair	1	16,500,000
Irrigation Tube Well Efficiency Improvement Project	1	18,500,000
Local democratic governance municipal services	1	200,000,000
Distribution Companies Performance Improvement Program	1	60,000,000
Health Services Academy (Ministry of Health)	1	2,000,000
Direct Funding for Provincial Government Projects	4	242,150,000
Southern Punjab Basic Education Program†	1	6,250,000
Punjab education sector grant	1	48,000,000
Balochistan middle schools (budget offset)	1	40,000,000
Southern Punjab Basic Education Program	1	147,900,000
Awards to Pakistani NGOs	54	269,132,952
Apex Consulting, monitoring of OFDA flood relief – Sindh†	1	149,480
Community Uplift Program, monitoring of OFDA flood relief – Balochistan†	1	149,009
Key Chain Films, production of videos on development activities†	1	50,000
KPMG Taseer Hadi & Co., accelerated capacity building of PaRRSA (modification)†	1	710,413
RSPN, Sindh Agriculture Recovery Project†	1	15,000,000
Voice Tel Tech, monitoring of OFDA flood relief – Khyber Pakhtunkhwa†	1	147,085
Voice Tel Tech, monitoring of OFDA flood relief – Punjab†	1	147,085
RSPN, Sindh Agriculture Recovery Program†	1	15,000,000
Associates in Development, Assessment and Strengthening Program†	1	8,892,375
Lahore University of Management Sciences, Assessment and Strengthening Program†	1	15,537,792
RSPN, Assessment and Strengthening Program†	1	19,977,061
PPAF, emergency relief for flood-affected households in Sindh and Balochistan†	1	5,000,000
RSPN, emergency relief and early recovery for flood-affected areas across Pakistan†	1	4,999,434
CAMEOS Consultants, Balochistan Water Survey Project	1	181,559
Associates in Development, South Waziristan Agency monitoring and evaluation contract	1	3,434,388
Independent organization, USAID/Office of Transition Initiatives monitoring and evaluation services	1	315,987

Type	Number of Awards	Value (\$)
Transparency International, Antifraud Hotline Program	1	3,000,000
RSPN, emergency relief items to communities affected by floods in Pakistan	1	2,299,998
Aurat Foundation, Gender Equity Program	1	40,000,000
PPAF, relief to flood-affected communities in Punjab and Sindh	1	2,699,543
National Rural Support Program, Small Grants and Ambassador's Fund Program	1	49,988,052
Aga Khan University, Flood Response Program	1	6,395,093
Local CPA firms, monitoring and evaluation for small-scale infrastructure projects in FATA and Khyber Pakhtunkhwa – Malakand (task order)	1	1,224,351
Multiple implementing partners, audit and financial management services (blanket purchase agreement)	15	15,000,000
Multiple implementing partners, USAID recruitment services (blanket purchase agreement)	4	4,000,000
Rafi Peer Theatre Workshop, Children's Television Program	1	20,000,000
Habib-Rafique (Pvt.) Ltd./ CDM, Parliamentary Institute Building	1	9,300,000
Khushhali Bank, Bolton Market Business Revitalization Program	1	13,000,000
Pakistan Anticorruption Program	1	400,000
Multiple implementing partners, audit, financial review, and related financial management services (basic ordering agreement)	5	2,500,000
Strengthening capacity of the FATA Secretariat	1	817,260
KPMG Taseer Hadi, accelerated capacity building of PaRRSA	1	816,987
Pakistan Broadcasting Corporation	1	8,000,000
Total	76	1,361,403,952

Source: USAID/Pakistan.

* For budget support, U.S. assistance funds are comingled with other budgetary resources available to the Pakistani Government, and accounting for how the U.S. funds have been used is not possible. For project assistance, U.S. funds are normally segregated in separate bank accounts, and the Pakistani Government is required to keep books and records that show how assistance funds are spent.

† Awards made to Pakistani institutions during the reporting period, October 1–December 31, 2010.

Prior to receiving funds, USAID's Office of Financial Management performs preaward assessments of all prospective partner organizations. The assessments examine organizational and management structure, accounting, financial management systems, internal controls, technical capabilities, and quality assurance capabilities, as well as the organizations' policies, procedures, and practices for effective and efficient management of USAID/Pakistan resources. To date, USAID has completed 35 preaward assessments, including 8 this quarter on the following organizations:

1. Tameer Bank Limited
2. Earthquake Rehabilitation and Reconstruction Authority
3. Pakistan Dairy Development Company
4. Acumen Fund Pakistan
5. Election Commission of Pakistan
6. Kashf Bank
7. Punjab Provincial Government—17 departments
8. Sindh Provincial Government—15 departments

USAID reported that it had 30 preaward assessments under way for Pakistani organizations, including government departments and project management units.

Staffing

The U.S. Mission in Pakistan—USAID and Embassy components¹³—is increasing staffing levels in Islamabad and at regional offices in Peshawar, Lahore, and Karachi.

As shown in Table 7, USAID reported a total of 228 staff (53 U.S. direct-hires and 175 others) as of December 31, 2010. Since the last quarterly report, the mission has increased its staff by 18 positions. However, USAID/Pakistan’s fiscal year 2011 target is 296 staff and the mission remains understaffed by 68 positions. USAID, as the lead and largest manager of assistance funds among U.S. Government agencies, will need to increase its project management, legal, financial management, and procurement staff significantly.¹⁴

Table 7. USAID Staffing in Pakistan as of December 31, 2010

Category	Islamabad	Peshawar	Lahore	Karachi	Total	Difference from September 30, 2010
U.S. direct hire	47	2	3	1	53	+3
U.S. staff from other departments and agencies*	1	0	0	0	1	-1
U.S. personal services contractors	17	4	0	0	21	+5
Third-country nationals	8	0	0	0	8	-1
Foreign Service Nationals (Pakistani staff)	99	18	6	6	129	+10
Eligible family members	5	0	0	1	6	+2
Long-term temporary-duty staff†	10	0	0	0	10	0
Total Staff	187	24	9	8	228	+18
Staff Target 2011					296	
Staff Shortfall					68	

* The staff member shown is detailed from the U.S. Department of Agriculture.

† USAID/Pakistan reported that long-term temporary-duty staff (defined as being in Pakistan for a year) filling vacant positions counted toward the total number of USAID/Pakistan positions.

¹³ The U.S. Embassy’s Narcotics Affairs Section reported that it had 86 staff and contractors on board as of December 31, 2010, including 4 U.S. direct hires. The Embassy’s Public Affairs Section reported that it had 21 direct hires on board as of that date.

¹⁴ *Pakistan Assistance Strategy Report*, December 14, 2009.

Risks and Mitigation Strategies

U.S. Government agencies and oversight entities identified risks that could jeopardize the U.S. Government's assistance program in Pakistan and identified accompanying mitigation strategies. Since the last quarterly report, four new challenges have emerged:

- *Reprogramming of funds for flood recovery.* To meet the immediate needs of the flood victims, the United States pledged at the Pakistan Development Forum on November 14, 2010, to direct roughly \$500 million of its FY 2009 and FY 2010 budgets toward flood recovery. As this funding is identified, previously planned projects are being postponed or eliminated. While the U.S. Embassy in Islamabad awaits decisions on reprogramming, some programs have been put on hold. Risks to such programs include a loss of momentum in planning and implementation, and potential damage to relationships that have been carefully established with key Pakistani stakeholders. To mitigate these risks, USAID/Pakistan has moved forward as expeditiously as possible with the programs that have received approval, maintaining contact with key counterparts to sustain important political relationships while programs remain on hold.
- *Vulnerability to natural disasters.* Pakistan is prone to natural disasters such as earthquakes and flooding. Ongoing flooding and the resulting damage have delayed implementation of projects in flood-affected areas. USAID supports programs in water storage, including the surface water management program for Balochistan and Gomal Zam Dam, which provide some flood mitigation.
- *Adverse environmental impact.* USAID/Pakistan conducts environmental assessments before disbursing funds for projects. These assessments sometimes raise concerns regarding the impact of development projects on the environment or communities—for example, an infrastructure project in South Waziristan linking a road from Tank to Wana to Makeen. To mitigate this risk, the office in FATA will address and take necessary steps to mitigate environmental concerns before building portions of the road.
- *Leadership turnover.* Turnover is high in entities of the Government of Pakistan that deal with agriculture. Such turnover affects planning, coordination, and progress of program implementation. USAID will continue to work closely with all government counterparts, involving DOS colleagues as necessary. In addition, USAID/Pakistan's Agriculture Office plans to include requirements in project implementation letters with the Government of Pakistan to ensure the continuity of key personnel.

In addition to the challenges described above, risks identified in previous quarterly reports on the civilian assistance program remain:

- *Flood-related insecurity.* Last quarter one significant risk to the effectiveness of the assistance program emerged from the floods that submerged one-fifth of the country: significant and sustained instability. Over 20 million Pakistanis were affected by the floods, and disillusionment among Pakistanis with the current civilian government's recovery and reconstruction efforts could fuel instability and conflict.

- *Terrorist threats in the United States.* A successful terrorist attack originating in Pakistan but carried out on U.S. soil could damage the U.S.-Pakistan relationship. The heightened risk of such an attack was underscored by Administration officials in their testimony before the Senate Committee on Homeland Security and Governmental Affairs in September 2010.¹⁵
- *Political risks.* Any softening of support for civilian rule and unambiguous opposition to all terrorist groups operating in Pakistan could endanger the assistance program and the relationship between the United States and Pakistan.
- *Resistance to change.* Entrenched interests may resist policy reforms needed to transform the economy. According to USAID, if fundamental reforms are not implemented, assistance from the United States and other donors will have stabilized the economy only temporarily.
- *Security risks.* Security concerns continue to reduce the ability of U.S. Government personnel to conduct direct monitoring and evaluation in conflict-affected areas, particularly Peshawar, FATA, and Khyber Pakhtunkhwa.
- *Direct budget support.* U.S. assistance funds to the Government of Pakistan in the form of budget support are comingled with other resources available to Pakistan. Therefore, financial management, accountability, and reporting challenges continue.
- *Limited institutional capacity.* Limited institutional capacity—especially in the FATA, Khyber Pakhtunkhwa, and Balochistan—creates a risk that resources might be lost through inefficiency, theft, or general lack of capacity to handle large amounts of funding.

As described above, security is an ongoing challenge that limits the ability of civilians to provide assistance in certain vulnerable areas, as well as USAID’s ability to monitor and evaluate projects. USAID is addressing this concern by expanding its regional offices in Peshawar and Lahore and its use of Pakistani firms to conduct site visits.

To maximize aid effectiveness and sustainability, USAID/Pakistan is committed to providing assistance through Pakistani institutions. This policy is intended to increase the number of USAID partnerships, although many of these new partnerships will be with institutions that have limited capacity to plan and implement projects because of limited staff or a lack of experience with the financial management requirements. To address this concern, USAID/Pakistan is supporting technical advisors and units within government ministries receiving USAID funding to help manage specific projects and mentor ministry staff. Moreover, USAID is funding certified public accounting firms to conduct preaward assessments to help ensure that potential recipients of USAID assistance meet U.S. transparency and accountability standards. These assessments also determine the capacity needs of potential partners so that USAID can work with them to build those capacities. In addition, USAID increasingly relies on fixed-amount reimbursement as a mechanism to disburse funding to Pakistani institutions. This mechanism requires progress to be achieved before funding is released to the implementing partner.

¹⁵ “Nine Years After 9/11: Confronting the Terrorist Threat to the Homeland,” September 22, 2010.

In addition to these USAID strategies, USAID OIG has taken the following steps to ensure that U.S. Government funds are protected against waste and theft:

- *Establishing field offices in Pakistan for the USAID and DOS OIGs.* As of December 31, 2010, USAID OIG had 11 permanent staff in Islamabad (8 U.S. direct hires and 3 Foreign Service National employees), supplemented by staff on temporary duty. In October 2010, DOS OIG established a field office in Islamabad; the office director is assigned to Pakistan, and two evaluators are scheduled to arrive in February 2011.
- *Conducting risk assessments of awards to U.S.-based entities working in Pakistan.* In fiscal year 2010, USAID OIG conducted risk assessments of 18 awards to prioritize the financial reviews to be performed of U.S. entities operating in Pakistan. Of the 18 awards, auditors considered 5 to be high risk and suggested that USAID/Pakistan conduct financial reviews of those implementing the high-risk awards. As of December 31, 2010, two financial reviews had been completed, two were planned, and one had been canceled (one award was terminated early).
- *Expanding the use of independent Pakistani public accounting firms to conduct financial audits of funds provided to Pakistani NGOs.* As of December 31, 2010, USAID OIG had a roster of 23 eligible audit firms in Pakistan to call on. Since the passage of the Enhanced Partnership with Pakistan Act on October 15, 2009, USAID OIG has added 11 audit firms to its list of eligible audit firms in Pakistan.
- *Providing training to Pakistani public accounting firms and to the Office of the Auditor General.* The training covers standards and requirements applicable to financial audits of U.S. Government funds. In October 2010, USAID OIG provided training to 21 public accounting firms (42 participants) and 16 nongovernmental organizations (31 participants)—totaling 73 participants. Earlier, in April 2010, USAID OIG provided training to 21 auditors from the Office of the Auditor General.
- *Providing training to USAID's contracting and agreement officers' technical representatives and financial analysts.* The training covers the standards and requirements applicable to financial audits of U.S. Government funds. As of December 31, 2010, USAID OIG had provided four training seminars to 52 staff members working at USAID/Pakistan. USAID OIG also trained 26 staff from ten provincial government ministries.
- *Helping the Office of the Auditor General conduct financial audits.* USAID OIG will help the office conduct financial audits of funds provided to Pakistani Government entities by reviewing the statement of work between the mission and the Office of the Auditor General for each audit conducted, attending entrance and exit conferences, reviewing the Auditor General's audit program, and approving the draft and final reports to ensure that the audits were performed in accordance with government auditing standards.
- *Working with Pakistan's National Accountability Bureau (NAB).*¹⁶ USAID OIG established a working relationship with NAB in early 2010. On December 8, 2010, the Director General of Operations

¹⁶ NAB is the primary law enforcement agency in Pakistan responsible for investigating white-collar crime and public corruption, and it is Pakistan's only law enforcement agency authorized to conduct investigations in FATA.

and the Chairman of the Pakistan National Accountability Bureau met with the USAID Inspector General. The meeting affirmed cooperation on ongoing investigations and continued coordination between the two organizations.

- *Collaborating with USAID/Pakistan to establish a fraud hotline in Pakistan.* As previously reported, in September 2010, USAID/Pakistan signed a 5-year, \$3 million cooperative agreement with Transparency International-Pakistan to implement a fraud hotline and education program. Work continues on the development and implementation of the hotline and education programs, and the hotline is expected to begin operating in February 2011.
- *USAID OIG hotline.* During the reporting period, USAID OIG received five hotline complaints related to USAID's activities in Pakistan. One did not have investigatory merit, two calls prompted preliminary inquiries, and the remaining two led to investigations that are under way.
- *Providing fraud awareness briefings and expanding investigatory coverage.* During the reporting period, six fraud awareness briefings were given by OIG special agents in Pakistan attended by 145 USAID, U.S. Consulate, and contractor personnel.
- *Coordinating audits and investigations with other U.S. agencies.* USAID OIG works with other OIGs, the Government Accountability Office (GAO), and law enforcement agencies, including the Federal Bureau of Investigation's International Corruption Unit, the National Procurement Task Force, and the U.S. Embassy's Legal Attaché Office.

Oversight Status

USAID Office of Inspector General

USAID OIG oversees foreign assistance programs administered by USAID, the United States African Development Foundation, the Inter-American Foundation, and the Millennium Challenge Corporation. USAID OIG has strengthened its focus on Pakistan since USAID reopened its Pakistan mission in 2002. In recent years, OIG has covered a wide array of USAID programs in Pakistan, for relief and stabilization, reconstruction, sustainable development, education, and health care. USAID OIG's oversight activities include performance audits, financial audits, and investigations.

Work Completed Since October 1, 2010

From October 1 through December 31, 2010, USAID OIG completed two performance audits and two financial audits:

- **Audit of USAID/Pakistan's Livelihood Development Program for the Lower Region of the Federally Administered Tribal Areas (Audit Report No. 5-391-11-001-P, December 10, 2010).** This audit determined that USAID/Pakistan's Livelihood Development Program had made little progress in achieving its main goal of social and economic stabilization to counter the growing influence of extremist and terrorist groups in lower FATA. The main cause for the program achieving so little was the hostile environment in FATA. The U.S.-based implementing partner experienced kidnappings, harassment, and the tragic assassination of its chief of party in November 2008; consequently, program activities stopped for 6 months until security measures were improved and a new chief of party took office. During this time, the implementing partner relocated its country office from Peshawar to Islamabad.

Although the hostile situation led to the program's lack of results, a contributing factor was the mission's inadequate monitoring and oversight to achieve program goals. With inadequate oversight, the implementer incurred costs of approximately \$767,841 that auditors questioned (\$432,482 in ineligible costs and \$335,359 in unsupported costs). USAID/Pakistan needs to determine the allowability of these costs and recover them as appropriate. In addition, the program's ability to achieve results was hindered by a shift in U.S. Government strategy toward partnering with Pakistani implementers and by the mission's request that its implementing partners provide humanitarian assistance. The report contains seven recommendations to help the mission improve various aspects of the program.

- **Audit of USAID/Pakistan's Livelihood Development Program for the Upper Region of the Federally Administered Tribal Areas (Audit Report No. 5-391-11-002-P, December 10, 2010).** This audit determined that USAID/Pakistan's Livelihood Development Program had not achieved its main goal of social and economic stabilization to counter the growing influence of extremist and terrorist groups in upper FATA. The mission had no baseline data to determine progress toward countering the influence of these groups. In addition, the program had carried out only 53 percent of planned activities, and program outcomes were weak. Security problems and allegations of wrongdoing overshadowed and impeded program progress. Other factors directly affecting the program included a change in focus toward humanitarian and disaster assistance and a shift in U.S. Government strategy toward including more Pakistani institutions in

program implementation. The report contains five recommendations to help the mission improve various aspects of the program, which continues despite USAID/Pakistan's termination of the U.S.-based implementing partner's agreement after an ongoing OIG investigation revealed fraud.

- **Financial Audit of Khushhali Bank Limited Under the Developing Non-Bankable Territories for Financial Services Program (Close-Out Audit), for the Period January 1, 2009, to September 30, 2009 (Audit Report No. G-391-11-001-R, December 30, 2010).** The audit covered incurred costs of \$450,607. The audit concluded that the fund accountability statement fairly presents, in all material respects, project revenues and costs incurred under the agreement for the period audited. The audit did not identify any significant deficiencies in internal control. However, the audit identified one material instance of noncompliance: not submitting project implementation plans 30 days before the start of the year, as required by the agreement. Because the material instance of noncompliance did not affect the report on the fund accountability statement, the audit made no recommendations.
- **Financial Audit of the Costs Incurred by Research Triangle Institute Under the Education Sector Reform Assistance Program's School Enhancement Program Component, for the Period December 4, 2002, to September 30, 2007 (Audit Report No. G-391-11-001-D, November 8, 2010).** The audit covered incurred costs of \$14,432,228. The objective of the audit was to determine whether the costs charged to the School Enhancement Program Component were allowable, allocable, and reasonable in accordance with the Federal Acquisition Regulation, USAID acquisition regulations, contract terms, and other regulations. The audit concluded that the incurred and billed costs under the program were adequately supported by source documents and represented allowable costs under the contract. The audit report did not make any recommendations.

Work Under Way

As of December 31, 2010, USAID OIG had three performance audits and six financial audits in process:

- **Audit of USAID/Pakistan's Flood Relief Efforts as Administered by Local Nongovernmental Organizations.** As part of the relief efforts in response to the recent floods in Pakistan that affected over 20 million people in 74 districts, USAID/Pakistan obligated \$5 million to two local NGOs—Pakistan Poverty Alleviation Fund and Rural Support Programmes Network. The NGOs were to procure and distribute \$4.4 million in food and medical commodities to 82,261 households. The audit is determining whether USAID/Pakistan's flood relief efforts—delivering food hampers, hygiene kits, and medical supplies through the Pakistani NGOs—met the immediate needs of the flood victims.
- **Audit of USAID/Pakistan's Management of Preaward Surveys for Host-Government and Local Organizations in Pakistan.** A key aspect of USAID/Pakistan's management strategy is to conduct preaward surveys of Pakistani federal and provincial governmental agencies and local organizations that have been selected to receive USAID funds. The surveys are to determine whether the assessed entity has the necessary organization, experience, accounting and operational controls, and technical skills to effectively manage and account for these funds. As of September 30,

2010, USAID/Pakistan had completed 60 preaward surveys. The audit is determining (1) whether USAID/Pakistan's preaward surveys provide a reasonable basis for identifying vulnerabilities that could result in waste or misuse of U.S. Government resources and (2) whether USAID/Pakistan effectively addressed the deficiencies noted for those identified as high-risk recipients.

- **Audit of USAID/Pakistan's Road Rehabilitation and Reconstruction Activities Under the Quick Impact Projects in South Waziristan.** This audit is determining whether the specified activities are achieving the mission's goal of rebuilding selected roads.
- **Financial Audit of USAID Funds Managed by the Ministry of Finance, Government of Pakistan, for the Education, Health, and Clean Drinking Water Budget Lines, for the Period June 15, 2007, to June 30, 2008, and for the Government of Pakistan Rural Landless Compensation Policy Budget Line, for the Period June 15, 2007, to December 31, 2009.**
- **Financial Audit of USAID Funds Managed by the Ministry of Economics Affairs and Statistics (Economic Affairs Division) Under the Cash Transfer Grant Agreement for Internally Displaced Persons, for the Period July 1, 2009, to June 30, 2010.**
- **Financial Audit of USAID Funds Managed by the Higher Education Commission Under the Merit and Needs-Based Scholarship Program, for the Period July 2, 2004, to June 30, 2010.**
- **Financial Audit of USAID Funds Managed by the Ministry of Economics Affairs and Statistics (Economic Affairs Division) Under the Cash Transfer Grant Agreement for the Benazir Income Support Program, for the Period July 1, 2009, to June 30, 2010.**
- **Financial Audit of the USAID/Pakistan Trust Fund for Operating Expenses, for the Fiscal Years Ended September 30, 2007, 2008, and 2009.**
- **Financial Audit of USAID Resources Managed by Children's Global Network Pakistan Limited Under the Interactive Teaching and Learning Program in Pakistan (Close-Out Audit) and Subaward Through American Institutes for Research, for the Period July 1, 2008, to February 26, 2010.**

In addition to these audit assignments, USAID OIG closed 2 investigative cases during the reporting period and has an additional 13 open cases. As discussed below, one ongoing case relating to a USAID implementing partner for livelihood development programs in FATA had significant developments during the period October 1-December 31, 2010:

- **USAID Suspends Academy for Educational Development (AED), an Implementing Partner in Pakistan.** On December 8, 2010, USAID suspended AED from receiving new U.S. Government awards pending completion of an ongoing investigation by USAID OIG. Initial findings by USAID OIG revealed evidence of serious corporate misconduct, mismanagement, and a lack of internal controls, and raised serious concerns of corporate integrity. The investigation further revealed fraud stemming from false statements and claims, failure to perform in accordance with the terms of the agreement, and violation of statutory or regulatory provisions contained in the

agreement. In response to substantiated evidence of misconduct, USAID suspended AED and is conducting a review of every USAID program worldwide associated with AED. The review will determine the best steps forward for protecting U.S. taxpayer funds.

- **AED Senior Executives Depart.** The AED board of directors accepted the organization's responsibility for the mismanagement of the USAID-funded livelihood development project in Pakistan. The board stated that, under the circumstances, the president and chief executive officer agreed to retire. Four other senior executives, including the chief operating officer, the senior vice president and director for internal audit, the senior vice president and director of the Leadership and Institutional Development Group, and the vice president and director of the Center for Enterprise and Capacity Development, also were required to depart.

Work Planned for the Remainder of FY 2011

For the remainder of FY 2011, USAID OIG expects to conduct four performance audits and one financial audit:

- **Audit of USAID/Pakistan's Pre-Service Teacher Education Program (Pre-STEP).** This audit will determine whether the program is helping teachers improve their professional qualifications.
- **Audit of USAID/Pakistan's Pakistan Firms Project.** This audit will determine whether the project is strengthening the business sector and improving firms' productivity and quality.
- **Audit of USAID/Pakistan's Energy Efficiency and Capacity Program.** This audit will determine whether the program is promoting energy efficiency and conservation and building the capacity of public sector organizations to better address the needs of the energy sector.
- **Audit of USAID/Pakistan's Community Rehabilitation Infrastructure Support Program.** This audit will determine whether the program is constructing and renovating community infrastructure that will improve delivery of basic services such as education, health care, water supply, sanitation, electricity, and transportation and promote economic growth in rural areas.
- **Financial Audit of USAID Funds Managed by the Ministry of Economic Affairs and Statistics (Economic Affairs Division) Under the Cash Transfer Grant Agreement for University and Technical Education in FATA Through the Pakistan Higher Education Commission, for the Period September 30, 2009, to June 30, 2010.**

Department of State Office of Inspector General

Work Under Way

As of December 31, 2010, DOS OIG had one performance evaluation under way:

- **Review of Pakistan Internally Displaced Persons (Performance Evaluation).** The review is determining (1) whether U.S. Government and international organizations have effectively met the

protection, food, and other assistance needs of Pakistan's IDPs, (2) whether the U.S. Government has a coordinated and effectively managed program to protect and assist these persons, and (3) whether the program has accounted for the flow and use of funds provided to assist Pakistani IDPs. This evaluation is in the final report stage.

Work Planned for the Remainder of FY 2011

The DOS OIG has five evaluations planned for FY 2011:

- **Review of Internal Management Controls of Funds Provided to Pakistan (Performance Evaluation).** The review will determine whether specific internal controls have been properly designed and put in place for the Pakistan program funds, including procedures for planning, organizing, directing, and controlling program operations. The review also will assess the system for measuring, reporting on, and monitoring program performance.
- **Review of U.S. Mission Pakistan Local Security Program (Performance Evaluation).** The review will examine and summarize the requirements and provisions of the U.S. Mission in Pakistan's local security force contracts, including the objectives of the contracts and task orders, indicators established to measure performance, and internal controls over the contractors' performance and contract costs.
- **Review of Emergency Action Plan for Embassies Baghdad, Kabul, and Islamabad (Program Evaluation).** The review will assess the status and effectiveness of emergency action plans for Embassies Baghdad, Kabul, and Islamabad to determine their reasonableness and their level of coordination with the military commanders in-country.
- **Review of Embassy Islamabad Antiterrorism Assistance Program in Pakistan (Performance Evaluation).** This review will examine the requirements and provisions of the Antiterrorism Assistance Program and associated contracts for Embassy Islamabad. Specifically, the review will (1) determine the degree to which antiterrorism assistance training programs have achieved their intended outcomes, (2) assess whether contracts for antiterrorism assistance training and equipment are effectively managed, and (3) validate controls over foreign government equipment provided in support of the training programs.
- **Review of Operations and Maintenance Contract for Embassy Islamabad (Contract Evaluation).** This review will assess the requirements and provisions of the operations and maintenance contract for Embassy Islamabad. The objectives of this evaluation are to determine: (1) the requirements and provisions of the contract and task orders; (2) the amount of funding DOS has obligated and expended for operations and maintenance on this contract; (3) the effectiveness of contractor performance in providing operations and maintenance services to the Embassy and other facilities; (4) the controls for inventorying, recording, and safeguarding U.S. Government-furnished equipment and property in Pakistan—whether the equipment has been properly accounted for, and the challenges to maintaining accountability; (5) how well DOS administers and manages the contract and task orders to provide oversight of the contractor's performance in Pakistan; and (6) how DOS ensures that costs are properly allocated and supported.

DOS OIG established its field office at the U.S. Embassy in Islamabad in October 2010. The office director has been assigned to Pakistan, and two evaluators are scheduled to arrive in February 2011. In addition to its evaluations, DOS OIG has two investigative cases related to Pakistan. DOS OIG has six

investigators assigned to its Middle East Investigative Branch. These investigators, in addition to handling regional cases, pursue cases related to Pakistan.

Department of Defense Office of Inspector General

The Department of Defense OIG has no ongoing or planned projects related to the civilian assistance program in Pakistan for FY 2011.

Government Accountability Office

GAO is an independent, nonpartisan agency that oversees federal government spending. GAO's mission is to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. GAO performs oversight at the request of Congress. Additionally, GAO may be required to research issues mandated by public laws or may undertake work prompted by broad-based congressional interest under the authority of the Comptroller General. GAO supports congressional oversight through many avenues, such as auditing agency operations, investigating allegations of illegal activities, reporting on the efficiency and effectiveness of government programs and policies, analyzing policy, outlining options for congressional consideration, and issuing legal decisions and opinions. GAO consults with key members of the accountability community, including the inspectors general. For example, GAO participates in the Afghanistan-Pakistan Subgroup, which is chaired by USAID OIG and focuses on oversight of U.S. programs in those two countries.

Work Completed Since October 1, 2010

GAO did not publish any work on Pakistan during this period, but did offer and provide briefings to congressional committees on the Pakistan Assistance Strategy Report engagement listed below.

Work Under Way

From October 1 through December 31, 2010, the GAO had five ongoing engagements concerning Pakistan:

- **Accountability for U.S. Defense Equipment Transferred to Pakistan.** This engagement is assessing the extent to which DOD has (1) ensured accountability for the receipt, storage, and transfer to Pakistan of U.S.-provided equipment at its Islamabad warehouse; (2) followed up on reported weaknesses in accountability for night vision devices in Pakistan's custody; and (3) addressed new accountability requirements established in the 2010 National Defense Authorization Act for sensitive equipment provided to Pakistan. GAO expects to issue a report in February 2011.
- **U.S. Efforts to Enhance Pakistan's Counterinsurgency Forces.** This engagement is assessing (1) the status of U.S. efforts to train, equip, and improve infrastructure for Pakistani security forces to enhance counterinsurgency and counterterrorism along the western frontier bordering Afghanistan using the Pakistan Counterinsurgency Fund and the Pakistan Counterinsurgency Capabilities Fund, and (2) the extent to which DOD and DOS are implementing and following human rights vetting policies and procedures to ensure compliance with congressional human rights funding restrictions on the two counterinsurgency fund appropriations. GAO expects to complete this engagement in June 2011.

- **Pakistan Assistance Strategy Report.** This engagement is mandated by section 302(b)(1) of the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73). It will assess the DOS 2009 Pakistan Assistance Strategy Report describing U.S. policy and strategy for U.S. democratic, economic, and development assistance authorized by Title I of the act (\$1.5 billion for 5 years, \$7.5 billion total). GAO is tasked with commenting on the strategy, making recommendations to improve the efficiency and effectiveness of U.S. efforts, describing Pakistan's expenditures under the Foreign Military Financing Program, and assessing the impact of U.S. assistance on the security and stability of Pakistan. GAO plans to issue a report in February 2011.
- **Pakistan's Anti-Terror Efforts.** The Enhanced Partnership with Pakistan Act of 2009 prohibits military assistance and arms transfers to Pakistan in FY 2011–14 unless the President certifies that Pakistan is making significant progress in combating terrorist groups—including ceasing support for such groups, preventing them from operating in Pakistan, and strengthening counterterrorism and anti-money-laundering laws—and that its security forces are not subverting the country's political or judicial processes. The act requires GAO to independently assess this certification, which GAO will do by assessing the extent to which (1) U.S. officials assessed and disclosed the reliability of evidence used to support the certification; (2) conclusions in the certification are consistent with the views of experts, academia, and other U.S. agencies, or differences are explained; and (3) there are gaps in the issues that the U.S. Government considered in making the certification. GAO expects to complete the assessment 120 days after the President's certification is sent to Congress.
- **Pakistan Nuclear Networks.** The Enhanced Partnership with Pakistan Act of 2009 prohibits military assistance and arms transfers to Pakistan in FY 2011–14 unless the President certifies that Pakistan is continuing to cooperate with the United States in efforts to dismantle nuclear supplier networks relating to the acquisition of nuclear weapons-related materials—for example, by providing relevant information from or direct access to Pakistani nationals associated with such networks. The act requires GAO to independently assess this certification. This engagement will assess the extent to which (1) U.S. officials assessed and disclosed the reliability and accuracy of documentary evidence used to support the certification; (2) conclusions in the certification are consistent with the views of experts in private sector research organizations, academia, and other U.S. agencies, or are explained where they differ; and (3) there are gaps in the issues that the U.S. Government considered in making its certification. GAO expects to complete this assessment 120 days after the President's certification is sent to Congress.

Work Planned for the Remainder of FY 2011

In response to congressional interest, GAO may begin additional work on Pakistan and relate its findings in subsequent reports.

Completed Oversight Reports, as of December 31, 2010

Table 8 lists oversight reports completed since the passage of the Enhanced Partnership with Pakistan Act, October 15, 2009.

Table 8. Oversight Reports Completed as of December 31, 2010

Agency	Report Number	Report Date	Report Title
USAID	G-391-11-001-R	12/30/10	Financial Audit of Khushhali Bank Limited Under the Developing Non-Bankable Territories for Financial Services Program (Close-Out Audit), for the Period January 1, 2009, to September 30, 2009
USAID	5-391-11-002-P	12/10/10	Audit of USAID/Pakistan's Livelihood Development Program for the Upper Region of the Federally Administered Tribal Areas
USAID	5-391-11-001-P	12/10/10	Audit of USAID/Pakistan's Livelihood Development Program for the Lower Region of the Federally Administered Tribal Areas
USAID	G-391-11-001-D	11/8/10	Financial Audit of the Costs Incurred by Research Triangle Institute Under the Education Sector Reform Assistance Program's School Enhancement Program Component, for the Period December 4, 2002, to September 30, 2007
USAID	5-391-10-012-P	8/31/10	Audit of USAID/Pakistan's Family Advancement for Life and Health Program
USAID	G-391-10-001-R	8/4/10	Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-01073-00, Managed by the Competitiveness Support Fund, for the Period February 3, 2006, to June 30, 2009
USAID	5-391-10-010-P	6/28/10	Audit of USAID/Pakistan's Primary Healthcare Revitalization, Integration and Decentralization in Earthquake-Affected Areas Project
USAID	5-391-10-001-S	6/28/10	Review of USAID's Internally Displaced Persons Programs in Pakistan
DOS	ISP-I-10-64	6/10	Inspection of Embassy Islamabad, Pakistan
USAID	5-391-10-033-R	5/18/10	Financial Audit of USAID Funds Managed by Forman Christian College, Lahore, for the Period July 1, 2007, to June 30, 2009
USAID	5-391-10-029-R	4/30/10	Financial Audit of USAID Funds Managed by Khushhali Bank for the Year Ended December 31, 2008
GAO	GAO-10-289	4/10	Combating Terrorism: Planning and Documentation of U.S. Development Assistance in Pakistan's Federally Administered Tribal Areas Need to Be Improved

Agency	Report Number	Report Date	Report Title
USAID	5-391-10-026-R	3/24/10	Closeout Financial Audit of USAID Funds Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period July 1 to December 31, 2007
DOS	MERO-A-10-03	3/10	The Bureau of International Narcotics and Law Enforcement Affairs Air Wing Program in Afghanistan and Pakistan, Performance Audit
USAID	5-391-10-020-R	2/11/10	Closeout Financial Audit of USAID Funds Managed by Aga Khan University—Examination Board, for the Year Ended December 31, 2007
USAID	5-391-10-005-P	1/28/10	Audit of USAID/Pakistan's Capacity Building for the Federally Administered Tribal Areas Development Program
USAID	5-391-10-012-R	12/22/09	Financial Audit of USAID Funds Managed by Children's Global Network Pakistan Limited, for the Year Ended June 30, 2008
DOS	MERO-A-10-02	12/09	Status of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan, Performance Audit
DOS	MERO-A-10-01	11/09	Effectiveness of Counter Narcotics Programs in Pakistan, Performance Audit

Appendix—Abbreviations

AED	Academy for Educational Development
DEA	Drug Enforcement Administration
DOC	Department of Commerce
DOD	Department of Defense
DOS	Department of State
Ed-LINKS	Links to Learning—Education Support to Pakistan
FATA	Federally Administered Tribal Areas
FBI	Federal Bureau of Investigation
FY	fiscal year
GAO	Government Accountability Office
GENCO	Power Generation Company
IDPs	internally displaced persons
IOM	International Organization for Migration
KNCV	Royal Netherlands Tuberculosis Association (Koninklijk Nederlandsche Centrale Vereeniging)
NAB	National Accountability Bureau
NAS	Narcotics Affairs Section (U.S. Embassy Islamabad)
NATO	North Atlantic Treaty Organization
NGO	nongovernmental organization
OFDA	Office of Foreign Disaster Assistance
OIG	Office of Inspector General
PaRRSA	Provincial Reconstruction, Rehabilitation and Settlement Authority
PAS	Public Affairs Section (U.S. Embassy Islamabad)

PPAF	Pakistan Poverty Alleviation Fund
Pre-STEP	Pre-Service Teacher Education Program
RSO	Regional Security Office (U.S. Embassy Islamabad)
RSPN	Rural Support Programmes Network
U.N.	United Nations
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USG	U.S. Government
USIP	U.S. Institute of Peace
USTDA	U.S. Trade and Development Agency
WAPDA	Water and Power Development Authority
WHO	World Health Organization