



October 30, 2003

**MEMORANDUM**

**FOR:** Mark Ward, Director, USAID/Pakistan

**FROM:** Bruce N. Boyer, RIG/Manila /s/

**SUBJECT:** Risk Assessment of Major Activities Managed by  
USAID/Pakistan, Report No. 5-391-04-001-S

This memorandum is our report on the subject risk assessment. This is not an audit report, and it does not contain any recommendations for you. Your management comments on the draft report are included in their entirety in Appendix II to this report. I appreciate the cooperation and courtesy extended to us during the risk assessment.

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## Background

Since Pakistan's independence in 1947 the United States has contributed approximately \$8 billion in foreign assistance to the country, touching every development sector. However, in 1995, USAID closed its Mission in Pakistan under Congressional sanctions resulting from Pakistan's nuclear weapons program. From 1997 to 2002, USAID's assistance to Pakistan consisted of grants to non-governmental organizations to strengthen civil society and improve the delivery of basic social services. These grants focused primarily on education, health, and community development as Pakistan remained a USAID "non-presence" country.

However, as a result of the terrorist attacks in the U.S. on September 11, 2001 and subsequent negotiations with the U.S. Government, the Government of Pakistan committed to resolve a host of longstanding problems and to forge a partnership with the U.S. to fight terrorism. Few U.S. foreign policy objectives rank higher than supporting Pakistan's efforts to make good on these commitments. In response to Pakistan's initiatives, the U.S. has waived its sanctions and resumed a long-term assistance program.

Consequently, the USAID Mission in Pakistan was reopened in July 2002 to enable the rapid scale-up and implementation of development assistance programs in four sectors: education, health, governance, and economic growth. Bilateral Strategic Objective Agreements have been signed with the Government of Pakistan for each of these sectors. Total life of project funding and obligations as of August 2003 amounted to \$306 million and \$66.5 million, respectively, and are broken down as follows:

**Table 1: Developmental Assistance - USAID/Pakistan**  
(as of August 22, 2003)

Sector	\$ Millions	
	Life of Project	Obligated
Education	100.0	36.9
Health	115.0	15.7
Governance	38.0	8.9
Economic Growth	53.0	5.0
Total	306.0	66.5

According to Mission records, disbursements in these sectors as of August 31, 2003, amounted to approximately \$3.6 million.

In addition to these expenditures, since September 11, 2001, the U.S. has provided \$788 million in non-project assistance to the Government of Pakistan. A \$600 million Economic Support Fund (ESF) grant in November 2001, managed

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by USAID/Washington, reduced Government of Pakistan debt owed to the U.S., the World Bank and the Asian Development Bank.<sup>1</sup> And more recently in fiscal year 2003, \$188 million in debt relief from the ESF has allowed Pakistan to retire \$1 billion in outstanding U.S. official debt,<sup>2</sup> approximately one-third of its remaining U.S. debt.

Current annual funding for developmental assistance amounts to about \$50 million but is expected to increase three-fold to as much as \$150 million per year over the next several years. In addition, another \$200 million in non-project assistance is planned for fiscal year 2004, to be used again for debt relief and/or budget support. Moreover, an additional \$1.5 billion in non-project assistance beginning in fiscal year 2005—\$300 million per year over 5 years—was announced by President Bush in June 2003. Thus, Pakistan has emerged as one of the largest recipients of U.S. foreign assistance.

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## Discussion

To prioritize Office of Inspector General (OIG) workload and determine what type of audit coverage is appropriate for individual activities being funded and managed by the Mission, the OIG performed risk assessments of USAID/Pakistan's operations as a whole and of those activities planned to date. The results of the risk assessment of USAID/Pakistan operations as a whole are presented immediately below, and the results of the individual activity assessments are presented under the "Individual Activity Risk Assessments" heading (with details provided in Appendix III).

### Overall Risk Assessment

The OIG assessed the overall risk related to USAID/Pakistan's ability to manage assistance activities. In assessing overall risk, the OIG considered several key factors including the significance and sensitivity involved with the Mission's program, the management support and control environment, relevant internal controls, and susceptibility to failure to attain program goals, to noncompliance, and to other irregularities. (See Appendix I for a complete description of the scope and methodology.) The OIG assessment concluded that because of the precarious security situation in Pakistan, staffing constraints and challenges, and restrictions on the travel of official Americans outside of the capital city, the overall risk for program goals not being attained is high—although the Mission has taken steps to address this risk.

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<sup>1</sup> The OIG performed a limited scope audit of this grant. See Audit Report No. 0-000-03-001-F, dated January 7, 2003: *Audit of USAID's Bureau for Asia and the Near East Monitoring of the Government of Pakistan's Compliance with the Provisions of USAID Grant No. 391-K-005*.

<sup>2</sup> The \$188 million represents the net present value of certain long-term debt servicing payments due from Pakistan that total \$1 billion.

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The overriding constraint to managing assistance activities in Pakistan is the dangerously high security threat to U.S. personnel—Pakistan is a 25 percent danger pay post. In addition, because of the security situation, travel by both U.S. and Foreign Service National (FSN) personnel to program activity sites outside of Islamabad is restricted. Therefore, routine direct monitoring of program activities by Mission personnel is made extremely difficult.

In addition to (and also related to) the precarious security situation, is the issue of recruiting and maintaining adequate levels of qualified U.S. Mission staff. Because of the security situation, family members of U.S. staff are not permitted at post. Thus, attracting and assigning qualified U.S. staff to Pakistan is made more difficult because there is a reduced pool of personnel who might be interested in bidding on openings in Pakistan. In addition, being a dangerous post, assignments of U.S. personnel to Pakistan are for one year (as opposed to the four-year standard assignment). This contributes to a high rate of turnover of U.S. staff and impacts on continuity of operations. Continuity of operations further suffers because U.S. direct hire staff are granted two rest and recuperation trips for each one-year tour, in contrast to a norm of one at most other hardship posts. This results in U.S. direct hire staff being away from post more than normal.

A further challenge is that the security situation impacts overall staffing levels as well. Accordingly, the U.S. Embassy has attempted to keep the number of official Americans working in Pakistan as low as possible. In addition, all sections and agencies at post are encouraged to limit visitors as much as possible. As the Mission itself has pointed out in its Interim Strategic Plan dated May 2003, such limitations relating to the security situation “have real impact on the Mission’s ability to monitor project activities and meet with partners and counterparts.”

To respond to these staffing challenges and to mitigate the risks of American personnel not being able to travel freely, the Mission is trying to build a program that can be managed largely by Pakistani professionals, both with regard to its own staff as well as the staff of its partner organizations. The Mission has called this “building a bomb proof program,” in reference to bombings and security threats that have forced evacuations of U.S. personnel in the past. The Mission’s Interim Strategic Plan dated May 2003 notes that there have been three evacuations of U.S. personnel in the last two years (the last being at the beginning of the Iraq war) and that expatriate staff associated with USAID’s programs may have to be evacuated one or more times in the future. As a result, the Mission is making the engagement of “Pakistani management” (as opposed to expatriate management) an “evaluation criteria in all competitive actions,” is limiting “competitions to Pakistani organizations whenever possible,” and is encouraging “all U.S.-based organizations to partner with indigenous organizations.”

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In addition, the Mission has carried over this approach to a number of its own in-house functions. Thus, the Mission is outsourcing some of its financial review and analysis functions to a local accounting firm. The Mission is also currently reviewing contract proposals for local Pakistani organizations to monitor and evaluate USAID program activities throughout the country.

With regard to hiring staff, the Mission has done a lot in a relatively short time. It has been able to fill its fiscal year 2003 authorized level of seven U.S. direct hire personnel by February 2003 (the Mission only opened in July 2002). Furthermore, as a group, all seven U.S. direct hire personnel are experienced USAID professionals. Moreover, it is a credit to Mission leadership that almost all current U.S. direct hire (USDH) staff have bid on, and have been approved for one-year tour extensions. In addition, filling authorized non-U.S. positions will be complete once security clearances have been obtained for three applicants already offered employment and for a fourth position for which interviewing has just begun. However, because of the seven-year gap between the closure of the Mission and its reopening, the non-U.S. staff have little previous USAID experience.

With regard to office space, a lot has been done since the Mission reopened. When the Mission Director arrived in July 2002, there were no offices. USAID's former office building had been turned over to the host government in 1995. So the Mission took over and renovated a warehouse on the Embassy compound, turning it into a bright and efficient office.

Finally, on the program side, the Mission has managed to pull together a focused assistance program in a time period when it was still largely engaged in hiring staff and getting the former warehouse ready for occupancy. Notably, since reopening in July 2002 the Mission has:

- Signed four strategic objective grant agreements, totaling \$306 million, with the host government;
- Developed a three-year interim strategic plan for these four strategic objectives and for future budget support to the Government of Pakistan, even though a simpler one-year plan would have been acceptable to USAID/Washington; and
- Started planning for the new five-year, \$1.5 billion assistance program which begins in fiscal year 2005.

In summary, the Mission has accomplished a lot in one year. It has put into place a functioning staff, office and program in a very short timeframe and in a very insecure and dangerous environment. In addition, the Mission has taken positive, creative actions to address the difficult staffing and security situations with which

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it is faced. Nevertheless, overall risk remains high. This high risk is amplified by (1) the magnitude of the funding being provided to Pakistan, (2) the pressure to design and implement activities in short timeframes, (3) the potential for terror strikes and more evacuations from post, and (4) the risks associated with high reliance on indigenous organizations and management.

### **Individual Activity Risk Assessments**

The individual activity risk assessments which we performed included an analysis of risk in four distinct areas:

- Nature of the Implementing Entity – What experience does USAID have with the implementing entity? Is the implementing entity new to USAID or does it have a lot of USAID experience?
- Amount of Funding – All other things being equal, larger activities will receive more audit coverage.
- Implementing Arrangements – Are there any special implementing arrangements that will either increase or decrease risk?
- Nature of Activities Financed – How inherently vulnerable are the activities? (For example, construction activities are inherently much more vulnerable than technical assistance activities.)

The OIG assessed risk in each of these areas and based on this information, made judgments about what type of audit coverage would be cost effective and useful. Generally speaking, higher-risk activities are covered by performance audits and/or financial audits. Performance audits are conducted by the OIG, and financial audits of indigenous organizations are done by local public accounting firms under OIG supervision. For activities judged to be of exceedingly high risk, “concurrent” audits may be recommended. These can be performance audits or financial audits. Concurrent performance audits may consist of a series of two or more performance audits on a single activity. Concurrent financial audits are financial audits that are conducted more often than just once a year—possibly as often as every quarter when risk is judged to be extremely high. Generally, activities judged to be of medium risk will receive a single performance audit—or none at all, and/or a normal annual financial audit of expenditures. Activities of lower risk, especially if funding for those activities falls below certain thresholds, may receive no special audit coverage at all.

The table on the following page summarizes the results of our individual activity risk assessments for seven Mission-funded activities underway by August 22, 2003.

**Table 2: Individual Activity Risk Assessments  
For Mission-Funded Activities with Commitments in Excess of \$300,000  
(as of August 22, 2003)**

Mission-Funded Activities	Assessed Risk Relating to...			
	Implementing Entities	Implementing Arrangements	Nature of Activities Financed	Amount of Funding
Education Sector Reform Assistance Program	Medium	High	High	High
Creating Democratic Schools in Pakistan	Medium	Medium	High	Medium
Agreement for Examination Board Establishment	High	High	Medium	High
Releasing Confidence and Creativity Program	Low	High	High	Low
Pakistani Teacher Education and Professional Development Program	Medium	Medium	Low	High
Supporting Democratic Development in Pakistan	Medium	High	High	Medium
Developing Open Media in Pakistan Program	Low	Medium	High	Low

Appendix III discusses in detail the risk assessments for the seven activities in the table above and the types of audit coverage the OIG considers appropriate given the assessed risk exposure.

In addition to the activities listed above, the Mission had a large number of activities in the design and/or procurement stage that are to be implemented by local non-governmental organizations—and in two cases with local government entities. Many of these activities will likely exceed the threshold at which audits are required and will need to be included in the Mission’s audit universe for fiscal year 2004.<sup>3</sup> In addition, some of the activities being considered are inherently risky (such as school construction in an area that is generally off-limits to foreigners) and many are being carried out by entities that have never handled USAID funds before. Accordingly, many such activities should be considered for inclusion in the Mission’s audit universe even though annual expenditure rates may not exceed the audit threshold.

<sup>3</sup> Audits of non-U.S. grantees and contractors are required when \$300,000 or more is expended in a fiscal year.





Photograph of USAID/Pakistan Education Officer (seated in front 2<sup>nd</sup> from left) and RIG/Manila auditor (standing in front 3<sup>rd</sup> from left) observing a USAID-funded teaching program in a 1<sup>st</sup> grade class at the Federal Government Junior Model School in Islamabad, Pakistan, August 26, 2003.

In conclusion, for the seven activities assessed in Table 2 on page 8 above, risk generally ranges from medium to high. Planned audit coverage to address these risks is found in Appendix III.

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### **Management Comments and Our Evaluation**

In response to our draft risk assessment report, USAID/Pakistan provided written comments that are included in their entirety as Appendix II. The Mission agreed with the risks identified in the report and believed they were taking appropriate actions “to minimize vulnerabilities.”

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**Scope and  
Methodology****Scope**

The Regional Inspector General/Manila conducted a risk assessment of USAID/Pakistan's operations as a whole and all major activities that were underway or planned as of August 22, 2003. This risk assessment was not an audit. The risk assessment fieldwork was conducted at the USAID office in Islamabad, Pakistan from August 18 through 28, 2003.

Our risk assessments of USAID/Pakistan operations have the following limitations in their application.

- First, we assessed risk for activities funded and managed by USAID/Pakistan, but not for activities in Pakistan which were funded and managed by USAID/Washington.
- Second, we assessed risk only. Our risk assessments were not sufficient to make determinations of the effectiveness of internal controls for major functions. Consequently, we did not generally determine (a) the adequacy of internal control design, (b) if controls were properly implemented, and (c) if transactions were properly documented.
- Third, higher risk exposure assessments are not definitive indicators that program objectives were not being achieved or that irregularities were occurring. A higher risk exposure simply indicates that the particular function is more vulnerable to such events.
- Fourth, risk exposure assessments, in isolation, are not an indicator of management capability due to the fact that risk assessments consider both internal and external factors, some being outside the span of control of management.

**Methodology**

We interviewed officials and reviewed relevant documentation on the strategic objective activities being carried out, and being planned, by USAID/Pakistan. These discussions and documents covered background, organization, management, budget, staffing responsibilities, Federal Managers' Financial Integrity Act reviews, internal controls, and vulnerabilities as we considered necessary to gain an understanding of the actual and potential problems in implementing programs.

We determined the overall risk exposure for all activities within USAID/Pakistan, e.g., the likelihood of significant abuse, illegal acts, misuse of resources, failure to achieve program objectives, and noncompliance with regulations and management

policies. Higher risk exposure assessments are not definitive indicators that program objectives are not being achieved or that irregularities are occurring. A higher assessment simply indicates that the Mission is more vulnerable to such events. We considered the following key areas in assessing risk:

- Significance and sensitivity;
- Susceptibility of failure to attain program goals, noncompliance with laws and regulations, inaccurate reporting, or illegal or inappropriate use of assets or resources;
- Management actions to mitigate risk;
- Competence and adequacy of the number of personnel;
- Relevant internal controls; and
- What is already known about internal control effectiveness.

In addition, we conducted vulnerability assessments of each major program activity that had commitments of at least \$300,000<sup>4</sup> as of August 22, 2003, by assessing risk as high, moderate, or low in each of these four areas:

- Nature of the entity implementing the activity,
- Total amount of funding planned for the activity,
- Implementing arrangements for the activity, and
- Nature of activity being financed.

We used professional judgment in coming to a conclusion about the types of audit coverage that would be useful.

These risk assessments were not sufficient to make definitive determinations of the effectiveness of internal controls for major programs. As part of the effectiveness of internal controls, we did (a) identify, understand, and document (only as necessary) relevant internal controls, and (b) determine what was already known about the effectiveness of internal controls. However, we did not generally (a) assess the adequacy of internal control design, (b) determine if controls were properly implemented, nor (c) determine if transactions were properly documented.

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<sup>4</sup> We chose to look at activities with commitments in excess of \$300,000 because we judged that they would be far enough along to enable us to assess risk.

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**Management  
Comments**

October 6, 2003

Mr. Bruce Boyer  
Regional Inspector General  
USAID/Philippines  
Manila, Philippines

Subject: Draft Report on Risk Assessment of Major Activities Managed  
by USAID/Pakistan

Dear Bruce,

My staff and I have reviewed the subject draft report, and agree with your basic conclusions.

The USAID/Pakistan program has been crafted to meet the challenging security conditions in this country. The tragedy of 9/11 has radically changed the geopolitical landscape of the region. In order for USAID to help meet our country's high priority foreign policy objectives in the region, it has to adopt new ways of doing business, with higher risk tolerance, to operate effectively in strategically important countries such as Afghanistan, Iraq and Pakistan.

Risk assessments are valuable tools for management under any circumstances, but they are especially helpful in challenging security environments like the one we face everyday in Pakistan. As noted in your report, the Mission will be particularly challenged in monitoring program performance given staffing constraints and the security environment. We are pleased that RIG/Manila responded favorably to our planned program performance approach.

The Mission acknowledges the risks identified in the report. We believe we are taking appropriate actions to minimize vulnerabilities at all levels of program implementation. The Mission will be proactive in communicating our results to your office. There will likely be room for improvement as we move from design to implementation and your suggestions will always be welcome.

USAID/Pakistan thanks you for taking the time to conduct this important assessment. Your analysis has been useful and provided us the opportunity to review and strengthen existing management controls and improve operating procedures.

Sincerely,

Mark S. Ward /s/  
Mission Director

## Individual Activity Risk Assessments

### 1. Education Sector Reform Assistance (ESRA) Program

Implementing Entity	Strategic Objective	Overall Risk Exposure
Research Triangle Institute (RTI)	Education	High
<b>Planned Audit Coverage</b>		
A performance audit in late fiscal year 2004 to assess whether the program is on track to achieve intended benefits.		
<b>Risk Assessment Factors</b>		
<p><b><u>Nature of Implementing Entity</u></b>— U.S. non-governmental organization. RTI is part of a University and as such the Cognizant Technical Officer has indicated a lot of confidence in the competence of the entity. RTI’s Chief of Party (COP) and deputy COP are American but both have had prior experience in Pakistan. The rest of the staff is Pakistani. The risk is considered medium.</p> <p><b><u>Amount of Funding</u></b>— This is a \$60 million cooperative agreement. The risk is considered high because of the amount of funding for this grant and because of the large amount of other USAID funding in the education sector.</p> <p><b><u>Implementing Arrangements</u></b>— The Education Sector Reform Assistance program is extremely complex with numerous U.S. and Pakistani partners. The risk is considered high because of these numerous partners.</p> <p><b><u>Nature of Activities Financed</u></b>— Technical assistance in the area of primary education, including training for school personnel. Also, special literacy programs for out-of-school youth and young adults. The program is being implemented primarily in the provinces of Sindh and Balochistan, where “Whole District Initiatives” are being established in eight districts. Stringent security measures are in place in these provinces which restrict the ability of U.S. personnel to travel freely. Travel in the two provinces must be pre-approved by the Embassy. In some areas overland travel by Americans is prohibited. In other areas, security escorts are required. In addition, the program includes macro-level initiatives to improve the quality of education and a grants program to encourage local stakeholders to support program initiatives. The risk is considered high.</p> <p>Other risks: One of the two provinces is cautious about devolving responsibility for education to the districts. Also, the Government of Pakistan might not release required resources—including teacher salaries—in a timely way, thus impeding project progress. Overall risk for the activity is considered high because of heavy reliance on host government actions and resources and because security restrictions could impede adequate monitoring.</p>		

## 2. Creating Democratic Schools in Pakistan Program

Implementing Entity	Strategic Objective	Overall Risk Exposure
Children's Resources International (CRI)	Education	Medium
<b>Planned Audit Coverage</b>		
No special audits planned at this time, although performance under this grant could conceivably be audited as part of the performance audit of the Education Sector Reform Assistance Program (see previous page).		
<b>Risk Assessment Factors</b>		
<p><b><u>Nature of Implementing Entity</u></b>— U.S. non-governmental organization. CRI has no previous Pakistan experience. However, their office in Islamabad is headed by a Pakistani who was formerly with the Asian Development Bank. There are no expatriates on CRI's in-country staff. CRI has done early childhood programs in numerous countries worldwide. Risk with regard to the implementing entity is considered medium.</p> <p><b><u>Amount of Funding</u></b>— Current life-of-project funding is at \$2.3 million, but additional funds are likely to be added. The risk is therefore considered medium.</p> <p><b><u>Implementing Arrangements</u></b>— In implementing the Creating Democratic Schools program, CRI trains teachers in program methodology in-country. CRI produces certain curriculum materials in Washington, and then sends them to Pakistan for translation. Some training in program methodology and in the use of these materials, is being done by U.S. trainers, but it is increasingly being done by Pakistani "Master Teacher Trainers." Even though the program has experienced some delay in translating curriculum materials into Urdu, the risk relating to these implementing arrangements is considered medium.</p> <p><b><u>Nature of Activities Financed</u></b>— Technical assistance in the area of early childhood education which is designed to bring about "child-centered" teaching. This technical assistance includes training for school personnel and literacy training for parents—some of whom (in a departure from standard practice in Pakistan) then assist in the classroom. The program is being established in 96 schools in Islamabad, Rawalpindi and Karachi. Note that Karachi is in Sindh province and certain travel restrictions apply to Americans (see discussion of restrictions on previous page).</p> <p>Other risks: As of May 2003, CRI indicated they were uninformed about USAID's performance reporting requirements; however, they have since submitted a "Performance Monitoring Plan" and are developing baselines for performance measurement. Because of concern that strong indicators may not be in place and because of security restrictions in Sindh, risk in this area is considered high.</p>		



## 3. Agreement for Examination Board Establishment

Implementing Entity	Strategic Objective	Overall Risk Exposure
Aga Khan University (AKU)	Education	High
<b>Planned Audit Coverage</b>		
Annual financial audits conducted by a local public accounting firm.		
<b>Risk Assessment Factors</b>		
<p><b><u>Nature of Implementing Entity</u></b>— Pakistan private university. Aga Khan University was chartered as Pakistan’s first private university in 1983. The University is well regarded, but this will be its first USAID grant. The risk is therefore considered to be high.</p> <p><b><u>Amount of Funding</u></b>— Life-of-project funding totals \$4.5 million. Annual expenditures under this four-year agreement should therefore be well over the annual \$300,000 amount which would trigger a financial audit for a non-U.S. recipient. Therefore a financial audit is required. Risk is considered high.</p> <p><b><u>Implementing Arrangements</u></b>— The agreement with the University for the Examination Board Establishment program was signed in August 2003. The agreement includes the following elements: an indirect cost rate, program income, and cost sharing requirements. Therefore the risk for this first-time USAID recipient is considered high.</p> <p><b><u>Nature of Activities Financed</u></b>— This is a four-year grant to promote improvement of the quality of education through examinations for the secondary school certificate and the higher secondary certificate, training of teachers, and development of supplementary materials. The Mission performed a pre-award assessment of the University and found adequate systems in place. Considering the nature of the activities financed the risk is considered medium.</p>		

## 4. Releasing Confidence and Creativity Program

Implementing Entity	Strategic Objective	Overall Risk Exposure
Aga Khan Foundation USA	Education	Medium
<b>Planned Audit Coverage</b>		
No special audits planned at this time, although performance under this grant could conceivably be audited as part of the performance audit of the Education Sector Reform Assistance Program (see page 15).		
<b>Risk Assessment Factors</b>		
<p><b><u>Nature of Implementing Entity</u></b>— U.S. and international non-governmental organization. The Aga Khan Foundation’s office in Islamabad has one U.S. technical advisor, although the head of the office is Pakistani. The Foundation is well known with an international reputation and lots of experience. Risk is considered to be low.</p> <p><b><u>Amount of Funding</u></b>—Life-of-project funding currently amounts to \$1.5 million. The risk is considered to be low.</p> <p><b><u>Implementing Arrangements</u></b>— This two-year grant for the Releasing Confidence and Creativity program will end in March 2004 but may be extended. Implementation, however, is complex with four implementing partners and two technical assistance providers. Risk exposure is therefore considered to be high.</p> <p><b><u>Nature of Activities Financed</u></b>— The program provides technical assistance in the area of early childhood education in the provinces of Sindh and Balochistan. The program is being established in 100 schools, 50 in each of the two provinces.</p> <p>There are, however, security concerns relating to the two provinces. (Note the travel restrictions for Sindh and Balochistan which are discussed above on page 13.) The risk therefore is considered high for nature of activities financed primarily based on location of the schools in rural areas and on overall security concerns.</p>		

5. Pakistani Teacher Education and Professional Development Program

Implementing Entity	Strategic Objective	Overall Risk Exposure
Academy for Educational Development (AED)	Education	Medium
<b>Planned Audit Coverage</b>		
<p>No special audits planned at this time, although performance under this grant could conceivably be audited as part of the performance audit of the Education Sector Reform Assistance Program (see page 15).</p>		
<b>Risk Assessment Factors</b>		
<p><b><u>Nature of Implementing Entity</u></b>— U.S. non-governmental organization. The Academy for Educational Development is well-known and is familiar with USAID policies and procedures. Risk is therefore considered as medium.</p> <p><b><u>Amount of Funding</u></b>— Life-of-project funding for this relatively new contract is \$5 million. Risk is considered to be high.</p> <p><b><u>Implementing Arrangements</u></b>— AED will implement the Pakistani Teacher Education and Professional Development Program. The program is still in its infancy. AED has an office in Islamabad. The office is entirely made up of Pakistani nationals, although decisions as to who is chosen to benefit from the program will be shared with USAID personnel. Risk relating to these implementing arrangements is medium.</p> <p><b><u>Nature of Activities Financed</u></b>— AED is being contracted to provide professional development training for Pakistani teachers and administrators. The contract is to provide for a certificate program in the U.S. for selected Pakistani educators in the teaching areas of mathematics, science, in English as a second language—and to promote academic and cultural exchange. The risk is low considering the nature of activities financed.</p>		

## 6. Supporting Democratic Development in Pakistan

Implementing Entity	Strategic Objective	Overall Risk Exposure
The Asia Foundation (TAF)	Governance	High
<b>Planned Audit Coverage</b>		
No audit is planned at this time (assuming the program will not be fully funded). However, considering the problems experienced in this relatively small program, a performance audit of the follow-on program in fiscal year 2005 will be considered.		
<b>Risk Assessment Factors</b>		
<p><b><u>Nature of Implementing Entity</u></b>— U.S. non-governmental organization. The Asia Foundation is well-known in the region and is familiar with USAID policies and procedures. Risk is therefore considered to be medium.</p> <p><b><u>Amount of Funding</u></b>— Life-of-project funding is \$2.6 million although it is unlikely that the program will be fully funded (see paragraphs below). Risk is considered to be medium.</p> <p><b><u>Implementing Arrangements</u></b>— The Supporting Democratic Development program requires TAF to establish relationships with local media and numerous Pakistani governmental and nongovernmental organizations. There have been problems in working with the program’s coalition of local non-governmental organizations, and the legislative orientation component has not gone as planned. The program is unlikely to be fully funded. Risk exposure is considered high in this area.</p> <p><b><u>Nature of Activities Financed</u></b>— This program began before the USAID Mission opened and consists of numerous activities in the democracy and governance area: activities to improve the electoral process at the time of the Pakistani elections; “mapping” Pakistani civil society organizations; and building public support for democratic governance reform (through workshops for print media, attempting to influence local TV programming, and working with a local organization to promote democratic discourse through theater). The program was also to provide legislative training at the national and provincial levels.</p> <p>There have been implementation problems. A coalition of NGOs which came together to implement the program suspended program activities to protest the U.S. role in the Iraq conflict, a decision that caused some delay in the program. (Three months later in May 2003 some—but not all—of these organizations indicated a willingness to again accept USAID funding.) In addition, the legislative orientation component has not gone as planned and was discontinued as of June 2003. Some activities will be taken up by a new \$15.0 million Legislative Strengthening grant, which is scheduled to be awarded in September 2003. In summary, democracy and governance programs are often very sensitive and hence involve more risk than other types of technical assistance. Risk is considered high for "nature of activities financed" based on the problems discussed above.</p>		

7. Developing Open Media in Pakistan Program

Implementing Entity	Strategic Objective	Overall Risk Exposure
Internews Network	Governance	Medium
<b>Planned Audit Coverage</b>		
No special audits planned at this time.		
<b>Risk Assessment Factors</b>		
<p><b><u>Nature of Implementing Entity</u></b>— U.S. non-governmental organization. The Internews Network is familiar with USAID policies and procedures and has extensive media experience in the nascent media environments of the region (Indonesia, East Timor, Afghanistan, etc.) Risk is therefore considered to be low.</p> <p><b><u>Amount of Funding</u></b>— Funding for this grant amounts to \$1.0 million. Risk is considered to be low.</p> <p><b><u>Implementing Arrangements</u></b>— The Developing Open Media in Pakistan program is working with the Pakistan Telecommunication Company and the Pakistan media regulatory authority, interacting with newly licensed stations, and providing journalistic training at the University of Peshawar. Risk exposure is considered to be medium.</p> <p><b><u>Nature of Activities Financed</u></b>— The program has three objectives: developing media law and regulatory environment, improving and expanding radio journalism, and strengthening media management. Private electronic media is just opening up in Pakistan. The grant is building the capacity of radio journalists to produce news and information-based programs. The emphasis is on producing programs that are fair and balanced, and in training women to write and produce radio programs.</p> <p>There is a risk that privatization of the electronic media may not succeed as there is always a potential for government interference. The Internews Network recently reported that newly licensed private stations were told by the Pakistan media regulatory authority that they were not supposed to broadcast independent news and current affairs—contrary to the authority’s mandate. Also radio licensees lack training and technical expertise and most reporters, producers, and presenters have virtually no experience in the medium.</p> <p>In summary, programs involving governance and the media are often quite sensitive—especially in an environment where media were heretofore state-controlled. Risk is therefore considered to be high for these activities.</p>		