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

As of September 30, 2011



Foreword

This is the seventh 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 July 1 through September 30, 2011. For fiscal year 2011, Congress appropriated \$1.086 billion authorized by the Enhanced Partnership with Pakistan Act of 2009, along with other assistance funds, to support the civilian assistance strategy in Pakistan. However, little of the appropriated funding has been received at the field level. The U.S. Embassy reported that \$430.7 million in fiscal year 2011 civilian assistance funds had been obligated as of September 30, 2011.

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, the Department of State, the Department of Defense, the Department of Commerce, the Department of Agriculture, and the U.S. Trade and Development Agency. The information on program oversight comes 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/

Michael G. Carroll
Acting Inspector General
U.S. Agency for International Development

/s/

The Honorable Harold W. Geisel
Deputy Inspector General
Department of State

/s/

The Honorable Gordon S. Heddell
Inspector General
Department of Defense

Contents

- Executive Summary 1
- Background..... 3
- Program Status 5
 - Economic Growth and Agriculture..... 8
 - Energy 12
 - Education..... 14
 - Health..... 17
 - Stabilization..... 20
 - Cross-Cutting: Governance, Gender Equality, and Public Communication and Outreach 25
 - Assistance to Pakistani Institutions 29
- Staffing 32
- Risks and Mitigation Strategies 33
- Oversight Status..... 37
 - USAID Office of Inspector General..... 37
 - Department of State Office of Inspector General 41
 - Department of Defense Office of Inspector General 41
 - Government Accountability Office..... 42
 - Completed Oversight Reports as of September 30, 2011 44
- Appendix—Abbreviations 47

Executive Summary

The Enhanced Partnership with Pakistan Act of 2009, Public Law 111-73 (October 15, 2009) authorizes democratic, economic, and development assistance to Pakistan up to \$1.5 billion per year from fiscal year (FY) 2010 to FY 2014, for a total of up to \$7.5 billion. The U.S. Department of State's *Pakistan Assistance Strategy Report*, issued in December 2009, guides the U.S. Government's civilian assistance program in Pakistan, which is designed to build trust and a long-term partnership between the two countries by strengthening mutual security, stability, and prosperity.

For FY 2011, Congress appropriated \$1.086 billion authorized by the Enhanced Partnership with Pakistan Act of 2009, along with other assistance funds, to support the civilian assistance strategy in Pakistan. As of September 30, 2011, the U.S. Embassy in Islamabad reported that \$430.7 million in FY 2011 funds had been obligated. However, little of the appropriated funding has been received at the field level. As stated in the December 2009 report, these funds are intended to address the country's most critical infrastructure needs; help the Pakistani Government meet basic needs and provide improved economic opportunities; and strengthen Pakistan's capacity to pursue economic and political reforms that reinforce stability.

The U.S. assistance program was affected by political and security challenges during the reporting period. In particular, implementation of assistance programs was hindered by stricter Government of Pakistan requirements for travel outside Islamabad and provincial capitals. Staffing was hampered by the denial of visas and visa extensions for U.S. Government employees. Despite these challenges, implementation of assistance programs continued and, in fact, the U.S. Government worked with Pakistan's National Disaster Management Authority to extend relief to Pakistani citizens affected by seasonal flooding.

The U.S. Agency for International Development (USAID) continued to implement more programs through Government of Pakistan institutions, including national and provincial governments and nongovernmental organizations (NGOs). During FY 2011, USAID made 42 awards totaling about \$439.5 million to governmental and nongovernmental Pakistani institutions; 11 awards totaling \$29.5 million were made during the reporting period, July 1 through September 30, 2011. To overcome risks posed to the civilian assistance strategy and to improve monitoring and oversight of its programs, USAID continued to conduct preaward assessments of local implementing partners. USAID also began to conduct broad-based monitoring and evaluation activities.

To protect USAID's funds against waste and theft, USAID's Office of Inspector General (OIG) pursued hotline complaints and conducted investigations and audits. USAID OIG hosted a fraud awareness briefing for Government of Pakistan auditors and continued to collaborate with USAID/Pakistan on the Anti-Fraud Hotline. In FY 2011, the hotline received 2,368 complaints related to projects funded by USAID and other organizations; during the quarter, the hotline received 549 complaints. USAID OIG initiated a number of investigations based on hotline allegations. USAID OIG also completed a performance audit of the rehabilitation of community infrastructure in Pakistan's rural areas. The audit found that, 2 years after it began, the program had completed only four minor renovations and was far

behind schedule on 350 community infrastructure projects.

The Government Accountability Office (GAO) completed two engagements on U.S. assistance to Pakistan during the reporting period. In one review, GAO found that relatively little of the \$3 billion in assistance for Pakistan requested by the administration for FY 2012 is subject to the certification by the Department of State (DOS) of Pakistan's progress on nonproliferation and counterterrorism issues. In another engagement, GAO found that more than half of the \$1.9 billion in U.S. assistance made available to build the capabilities of the Pakistani security forces combating violent extremists between FY 2009 and FY 2012 had been obligated or disbursed, and that Pakistani security forces that received the benefits of these funds were being vetted for human rights violations.

Background

U.S. civilian assistance to Pakistan is critical to maintaining the long-term strategic partnership that the U.S. Government forged with the Government of Pakistan and its citizens through the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73, 123 Stat. 2060). The act authorizes \$1.5 billion per year for FYs 2010–14, for a total of \$7.5 billion, to support democratic, economic, and development assistance.

In 2009, DOS developed a strategy for providing civilian assistance to Pakistan.¹ The strategy's objectives include addressing the country's most critical infrastructure needs; helping the Pakistani Government meet basic needs and provide improved economic opportunities, especially in areas most vulnerable to extremism; and strengthening Pakistan's capacity to pursue economic and political reforms that reinforce stability. The strategy initially focused on high-impact, high-visibility infrastructure programs; provision of humanitarian and social services; and improved governance and security.

In 2011, USAID and DOS refined the strategy to focus assistance on economic growth, particularly in agriculture, energy, education, health, and stabilization. Programs in these sectors incorporate cross-cutting themes of good governance, gender equality, and public communication and outreach.

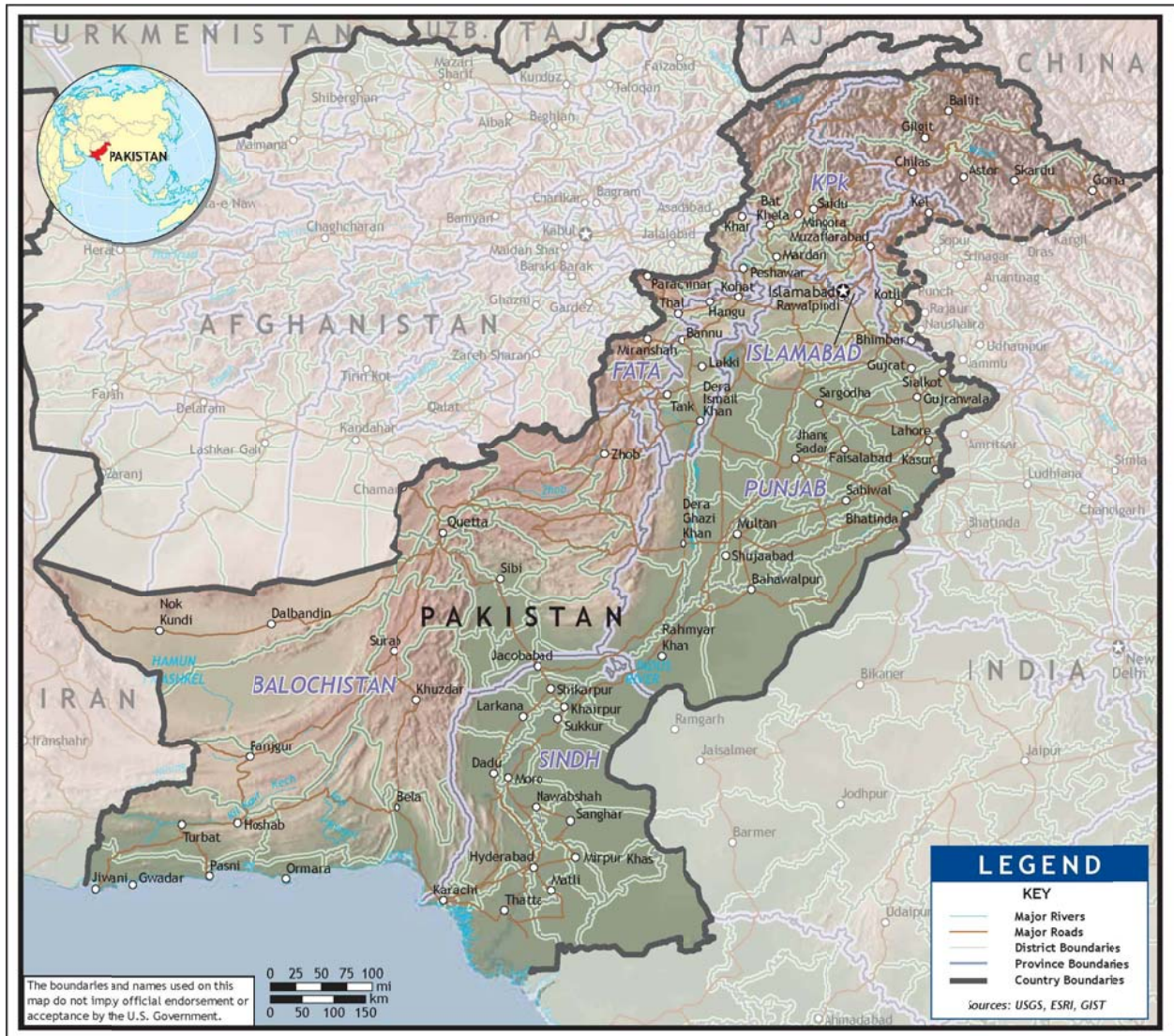
The reporting period, July 1–September 30, 2011, saw the resurgence of seasonal flooding. This year's floods affected approximately 5.4 million people and all 23 districts in southernmost Sindh Province. Many ongoing U.S. Government-funded programs were already working in southern Pakistan and quickly extended flood relief there. Pakistan's National Disaster Management Authority (NDMA), which USAID had strengthened in preparation for this year's monsoon season, also provided relief.

Security and political concerns also characterized the reporting period. Security concerns led the U.S. Government to suspend nearly one-third of its annual military aid to Pakistan. In July 2011, the Foreign Affairs Committee of the U.S. House of Representatives introduced an amendment to the Enhanced Partnership Act to increase the number of conditions Pakistan must meet if it is to continue to receive civilian assistance. These conditions include demonstrating measurable progress toward achieving the objectives of the assistance strategy.²

¹ *Pakistan Assistance Strategy Report*, December 14, 2009.

² Congressional Research Service, "Pakistan: U.S. Foreign Assistance," July 28, 2011.

Map of Pakistan



Source: USAID's Office of Transition Initiatives, Geographic Information Unit.

Program Status

The U.S. departments and agencies delivering development assistance in Pakistan are implementing programs in economic growth and agriculture; energy; education; health; stabilization; and the cross-cutting areas of governance, gender equality, and public communication and outreach. The following sections provide information on the status of the programs.

The U.S. Embassy reported that as of September 30, 2011, \$3.99 billion in funds from FYs 2009, 2010, and 2011 had been obligated to support the civilian assistance strategy (Table I). Of this total, the amount obligated in FY 2011 funds was \$430.7 million.

**Table I. Program Financial Status as of September 30, 2011
(\$ Millions; Unaudited)**

Program	Manager	Obligations				Pipeline Amount*
		FY 2009	FY 2010	FY 2011	Total	
Economic Growth and Agriculture						
Economic growth†	USAID	172.0	180.2	–	352.2	375.5
International Trade Administration, Department of Commerce (DOC)	DOC	3.0	–	–	3.0	1.0
Commercial Law Development Program	DOC	–	–	1.0	1.0	–
USAID transfer to the United Nations' (U.N.) Bhutto Commission	U.N.	1.0	–	–	1.0	–
Foreign Agriculture Programs†	U.S. Department of Agriculture (USDA)	44.0	51.8	–	95.8	35.0
Agriculture†	USAID	95.0	104.4	–	199.4	–
World Food Programme (WFP) – Food for Peace (FFP), Complex Emergency	USAID	55.4	69.8	56.7	181.9	–
WFP – FFP, Floods	USAID	–	27.0	58.4	85.4	–
Humanitarian programs – Office of Transition Initiatives, NDMA, Pakistan Poverty Alleviation Fund, Rural Support Programmes Network	USAID	–	60.0	–	60.0	10.0

Program	Manager	Obligations				Pipeline Amount*
		FY 2009	FY 2010	FY 2011	Total	
Humanitarian assistance†	USAID	209.0	200.2	–	409.2	91.6
Subtotals		579.4	693.4	116.1	1,388.9	513.1
Energy						
Energy†	USAID	125.0	98.3	–	223.3	–
Energy programs	Department of Energy (DOE)	NA	NA	NA	NA	NA
USAID transfer to U.S. Trade and Development Agency (USTDA)†	USTDA	5.0	–	–	5.0	3.6
Subtotals‡		130.0	98.3	–	228.3	3.6
Education						
Education†	USAID	183.0	161.4	–	344.4	295.0
Fulbright	Public Affairs Section (PAS), U.S. Embassy Islamabad	19.5	19.5	19.5	58.5	20.0
Subtotals		202.5	180.9	19.5	402.9	315.0
Health						
Health/water†	USAID	102.0	171.8	–	273.8	263.8
Health†	USAID	–	27.5	–	27.5	–
Subtotals		102.0	199.3	–	301.3	263.8
Stabilization						
Drug Enforcement Administration (DEA)	DEA	NA	NA	NA	NA	NA
Biosecurity Engagement	Economic Affairs Section (ECON), U.S. Embassy	NA	NA	NA	NA	NA
U.S. Institute of Peace (USIP)	USIP	NA	NA	NA	NA	NA
Immigration and Customs Enforcement	Department of Homeland Security	1.1	1.1	1.1	3.3	–
Counternarcotics†	Narcotics Affairs Section (NAS), U.S. Embassy	3.0	5.5	–	8.5	7.6
Federally Administered Tribal Areas (FATA) roads, bridges	NAS	15.0	–	–	15.0	11.4
FATA roads (Swat, Ring Road)	NAS	40.0	–	–	40.0	38.8

Program	Manager	Obligations				Pipeline Amount*
		FY 2009	FY 2010	FY 2011	Total	
Border Security (Aviation)	NAS	37.0	52.0	–	89.0	51.0
Border Security (Commodities, Training)	NAS	1.2	–	–	1.2	11.0
Police/law enforcement training/rule of law†	NAS	54.8	102.6	–	157.4	146.7
Demand Reduction/Awareness†	NAS	0.5	1.5	–	2.0	2.1
Program development support†	NAS	9.8	4.4	–	14.2	–
Counterterrorism†	Regional Security Office (RSO), U.S. Embassy	11.8	17.0	–	28.8	15.4
Office of Transition Initiatives†	USAID	68.0	23.4	–	91.4	21.4
Mine Action – Response International	Political Affairs Section (POL), U.S. Embassy	0.5	–	–	0.5	0.2
Humanitarian programs – Office of Foreign Disaster Assistance (OFDA), Complex emergency	USAID	102.6	18.6	0.3	121.5	–
Humanitarian programs – OFDA, Earthquake/ Landslide	USAID	2.3	0.1	–	2.4	–
Humanitarian programs – OFDA, 2010 Floods	USAID	–	115.0	114.2	229.2	–
Humanitarian programs – OFDA, 2011 Floods	USAID	–	–	0.5	0.5	–
WFP – FFP, Complex emergency	USAID	–	20.0	4.3	24.3	–
WFP – FFP, Floods	USAID	–	116.9	45.0	161.9	–
Mitigating Child Labor	Department of Labor	–	4.0	–	4.0	–
Trafficking in Persons	POL	0.5	0.8	–	1.3	1.0
Afghan Refugees	POL	76.8	80.5	71.0	228.3	71.0
Pakistan Internally Displaced Persons	POL	59.6	42.0	38.8	140.4	38.8
Pakistan Internally Displaced Persons – Flood	POL	–	49.3	2.7	52.0	2.7
NAS – Flood	NAS	–	In-kind support	–	–	–
Community Stabilization and Humanitarian Assistance Fund	Department of Defense (DOD)/ DOS	10.0	–	–	10.0	9.1
Subtotals‡		494.5	654.7	277.9	1,427.1	428.2

Program	Manager	Obligations				Pipeline Amount*
		FY 2009	FY 2010	FY 2011	Total	
Cross-Cutting: Governance, Gender Equality, Public Communication and Outreach						
Democracy Rights Labor	POL	NA	NA	NA	NA	NA
Democracy – National Endowment for Democracy	POL	NA	NA	NA	NA	NA
Democracy/Governance†	USAID	50.0	95.6	–	145.6	118.1
Federal Bureau of Investigation (FBI)/Legal Attaché Office	FBI	1.0	1.0	1.0	3.0	–
Other exchanges	PAS	5.0	6.0	–	11.0	–
Strategic communications	DOD	7.0	7.0	7.0	21.0	–
Strategic communications†	PAS	30.9	17.8	9.2	57.9	28.5
Strategic communications	USAID	–	–	–	–	–
USAID transfer to USAID/OIG†	USAID/OIG	–	2.0	–	2.0	–
Public diplomacy operating expenses	PAS	2.0	2.0	–	4.0	–
Subtotals‡		95.9	131.4	17.2	244.5	146.6
Totals‡		1,604.3	1,958.0	430.7	3,993.0	1,670.3

Source: U.S. Embassy Islamabad.

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

† The final FY 2011 spending plan has not yet been approved by congressional committees and has not yet been released for obligation, with the exception of the Fulbright Program and other exchange programs.

‡ The subtotal and total obligations and pipeline amounts do not capture all assistance programs because data was not available (NA) for programs managed by DOE, DEA, ECON, USIP, and POL.

Economic Growth and Agriculture

Over the past 3 years, Pakistan has experienced high inflation and relatively low economic growth as measured by gross domestic product (GDP). Nationally, unemployment exceeds 12 percent, and rates are higher in urban areas. Small businesses provide the majority of new employment, but they lack access to finance. Similarly, the agricultural sector, which accounts for 21 percent of GDP and employs 44 percent of the labor force, is constrained by insufficient investment and inappropriate policies. Furthermore, the agricultural sector uses 95 percent of the country's surface water, but water use is inefficient.

The U.S. Government's economic growth program for Pakistan is designed to stimulate broad-based, inclusive economic growth, particularly in agriculture, through projects that support policy reform, assist

in workforce development, increase agricultural productivity, and improve water management. USAID, DOC, and the U.S. Department of Agriculture (USDA) support programs under this category of assistance.

USAID has 13 programs for economic growth and agriculture, including 3 transfers to other agencies (Table 2). The programs support trade facilitation, tax policy development, and the development of provincial irrigation systems. Additionally, USAID plans to begin an agribusiness project next month to help farmers adopt improved technologies and practices and gain access to financing.

Table 2. USAID's Programs to Promote Economic Growth and Agriculture as of September 30, 2011 (Unaudited)

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Competitiveness Support Fund	Provides technical assistance on policy decisions, regulatory frameworks, and public-private partnerships	3/06	11/11	Ministry of Finance	14,437,989
Firms Project	Assists small and medium-size enterprises in areas vulnerable to conflict to become internationally competitive	5/09	2/13	Chemonics	47,688,726
Trade Project	Improves customs procedures and the Pakistani Commercial Service to increase exports and trade at the Afghan border	6/09	6/13	Deloitte	16,323,820
Entrepreneurs Project	Supports women's microenterprises in vulnerable areas	6/09	6/14	Mennonite Economic Development Associates	15,400,000
Transfer to the Department of Treasury	Provides tax, debt, and banking regulation advisers to the Government of Pakistan	11/10	To be determined	U.S. Department of Treasury	3,000,000

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Transfer to the Department of Commerce (Commercial Law Development Program)	Provides advisers to support gem and mineral markets	2011	To be determined	U.S. Department of Commerce	3,000,000
Gomal Zam Irrigation Project	Improves irrigation systems to increase agricultural output	9/11	9/14	Water and Power Development Authority (WAPDA)	40,000,000
Satpara Irrigation Project	Improves irrigation systems to increase agricultural output	1/11	9/14	WAPDA	10,000,000
Dairy Project	Improves milk production and increases sales	7/11	7/14	Dairy Rural Development Foundation	4,000,000
Balochistan Agriculture Project	Assists Balochistan in improving livelihoods and food security	9/10	12/12	U.N. Food and Agriculture Organization	10,400,000
Grain Storage Project	Provides technical expertise to support the establishment of public-private partnerships for the management, handling, and storage of strategic grain reserves	1/11	1/14	International Finance Corporation	2,500,000
Transfer to USDA	Improves production and sales of commodities, enhances Government of Pakistan research and extension work, and helps eradicate agricultural diseases	2009	Renewed annually	U.S. Department of Agriculture	40,000,000

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Agriculture Policy Project	Strengthens evidence-based policy analysis for food security and macroeconomic stability	7/11	7/15	International Food Policy Research Institute	5,800,000

Source: USAID/Pakistan.

* This represents the total amount budgeted using FY 2010 and prior funds.

In response to USAID OIG's request for information on the progress of these programs, USAID provided its key performance indicators at the output level, along with results as of September 30, 2011:

- Number of smallholder farmers benefiting from U.S. Government assistance (result: 634,740).
- Number of hectares under improved technologies or management practices as a result of U.S. Government assistance (result: 6,070).

USAID reported the following examples of progress and success in its portfolio of economic growth and agricultural programs:

- The Trade Project helped facilitate the implementation of the Afghanistan-Pakistan Transit Trade Agreement by designing insurance guarantees that cover Pakistan's customs requirements and supporting the Afghanistan-Pakistan bilateral customs meetings held September 28–30, 2011, in Karachi. During the meetings, officials from Afghanistan and Pakistan devised ways to facilitate transit of Afghan imports through Pakistani territory.
- The Entrepreneurs Project supported a local NGO, AHAN, in creating its first retail outlet "Handmade by AHAN," which was inaugurated in Lahore by the U.S. Consul General and Pakistan's Federal Minister for Production. The shop features upscale products and crafts made by local artisans. The initiative is expected to generate income for local artisans while stimulating interest in traditional handicrafts among high-end consumers.
- Mango exports supported by USAID's Firms Project hit \$3.6 million, a 54 percent increase from last year. Mangoes are being exported to markets in Europe, the Gulf States, and the United States.
- The Firms Project introduced the Balochistan Agriculture Department to the reform movement in agricultural marketplaces that is under way in Punjab Province. The reform allows private management of marketplaces, reducing a number of restrictive practices of government-managed markets.

USAID also reported challenges to implementing its economic growth and agriculture programs. Among these was that some programs take place in Punjab Province. Not being able to work with the government there poses a challenge for program coordination.

DOC. DOC programs focus on trade and investment promotion and on developing commercial law. DOC’s market research program completed four reports covering the automotive and energy industries. DOC also reported that its seventh and final study on the oil and gas industry is in its final stages.

USDA. USDA continues to implement agricultural development programs with funding from USAID. During the quarter, USDA received a transfer of \$19 million and obligated the funds to support USDA’s new and ongoing projects. USDA’s ongoing programs aim to increase the productivity of wheat and cotton and control livestock disease. As of September 30, 2011, USDA had signed agreements for four new agricultural development programs supporting research, watershed management, and aquacultural productivity.

Energy

Nearly half of the Pakistani population lacks access to modern energy services. Rolling blackouts often last 10 to 12 hours per day, constraining economic development, disrupting health, education, and other services. High subsidies, low rates of tariff collection, and distorted prices have discouraged private companies from building additional capacity. The U.S. Government and other donors are providing technical assistance to help the Pakistani Government develop appropriate energy pricing, regulatory, and privatization policies, and assisting in implementing Pakistan’s energy reform plan.

U.S. Government agencies aim to increase electricity generation, decrease transmission losses, and increase cost recovery by investing in selected energy infrastructure and supporting Pakistani Government reform efforts with technical assistance and new technology. USAID and the U.S. Trade and Development Agency (USTDA) support programs in this category of assistance.

USAID has nine energy programs under way. To meet growing energy demands, USAID’s programs seek to help the Pakistani Government supply hydropower through the completion of the Gomal Zam and Satpara Dams and the rehabilitation of the Tarbela Dam. USAID is also rehabilitating three thermal power stations. Table 3 lists USAID’s active programs in this category of assistance.

Table 3. USAID’s Energy Programs as of September 30, 2011 (Unaudited)

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Gomal Zam Dam Project	Increases hydropower capacity and builds transmission lines	1/11	11/11	WAPDA	40,000,000

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Satpara Dam Project	Increases hydropower capacity	1/11	4/13	WAPDA	19,000,000
Tarbela Dam Project	Rehabilitates a hydropower station	4/10	3/12	WAPDA	16,500,000
Jamshoro Project	Rehabilitates a thermal power station	5/10	7/12	WAPDA	18,360,000
Muzaffargarh Project	Rehabilitates a thermal power station	5/10	7/12	WAPDA	15,193,000
Guddu Project	Repairs and maintains thermal power station	5/10	11/12	WAPDA	18,068,000
Power Distribution Project	Improves management capacity, financial systems, billings, and collections of power distribution companies	9/10	9/13	International Resources Group	59,500,000
Tube Well Efficiency Project	Improves efficiency of irrigation tube wells	3/09	3/12	International Resources Group and Khushhali Bank	28,500,000
Energy Policy Project	Provides technical and engineering support to USAID-funded infrastructure projects implemented by the Government of Pakistan	10/08	2/12	Advanced Engineering Associates International	12,379,639

Source: USAID/Pakistan.

* This represents the total amount budgeted using FY 2010 and prior funds.

USAID provided the following key performance indicator for its energy programs, along with the result as of September 30, 2011:

- Megawatts of energy added as a result of U.S. Government-supported construction and rehabilitation efforts (result: 360).

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

- The six signature energy projects that Secretary Clinton announced in October 2009, involving rehabilitation and new construction of hydro and thermal power plants, progressed. USAID has received claims for reimbursement worth \$57.1 million, of which \$57.1 million has been reimbursed to the Government of Pakistan since January 2011.
- Women working in engineering, customer service, and other departments of the Islamabad Electric Supply Company received information technology training as part of the Power Distribution Project. The project is helping reform the energy sector by improving the performance of Pakistan's power distribution companies so that they can reduce losses and generate more income. In total, 1,100 people are being trained.
- Workers on the Tube Well Efficiency Project recently celebrated installing the thousandth tube well pump. The project is undergoing a design revision to incorporate other possible markets and expedite installation.
- The Tarbela Dam is now generating an additional 108 megawatts of capacity as a result of assistance provided by USAID.

USAID also reported challenges to implementing its energy programs:

- USAID is analyzing the implications of the U.S.-Pakistan Energy Dialogue, part of the larger bilateral Strategic Dialogue, and evaluating critical issues in the energy sector including governance, financial health, electricity rates, market efficiency, private sector participation, civil society and community participation, institutional capacity, and the legal and regulatory framework.
- The fixed-amount reimbursement agreements for the thermal power plants in Guddu, Muzaffargarh, and Jamshoro and the hydropower dams at Tarbela, Gomal Zam, and Satpara need to be amended to reflect new completion dates and payment schedules to address immediate funding requirements and to enhance project performance. Delays in the acquisition of parts and prolonged contract negotiations with subcontractors delayed project implementation.

USTDA. As part of the U.S.-Pakistan Strategic Dialogue, USTDA signed agreements for approximately \$4.5 million in late 2010 to support energy and transportation projects in Pakistan valued at over \$560 million. The energy projects included feasibility studies for generating electricity using wind, biomass, and solar power, as well as studies for the transmission and distribution of energy. The studies are being conducted by U.S. companies that are selected by Pakistani grantees.

Education

Pakistan's public education system faces multiple challenges, among them quality and access. Nearly a quarter of Pakistani children aged 7–16 have no formal education, and the country's rapidly growing

population is expected to require a doubling of the number of primary and secondary schools over the next 20 years. Less than 5 percent of Pakistanis aged 17–23 have access to higher education.

Goals for U.S. assistance in basic education include repairing and rebuilding schools, ensuring sufficient resources for the operation and maintenance of schools, increasing parental and community involvement in schools, reducing teacher absenteeism in vulnerable areas, and establishing common student performance standards and school report cards. USAID and the U.S. Embassy’s Public Affairs Section (PAS) support programs for educational improvement.

During the reporting period, USAID had eight education programs under way (Table 4). These programs focus on improvement in basic and higher education by providing training for teachers, scholarships for students, and support for reconstruction and renovation of schools. Additionally, USAID is designing a basic education program for Sindh that will support an early grade reading program, provide technical assistance, and support the reconstruction of schools.

Table 4. USAID’s Education Programs as of September 30, 2011 (Unaudited)

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
U.S.-Pakistan Science and Technology Cooperative Program	Provides opportunities for science and technology cooperation between Pakistan and the United States	9/05	Renewed annually	National Academy of Sciences	12,705,605
Fulbright Scholarships	Provides scholarships to Pakistani master’s degree and PhD students to study at U.S. universities	9/04	Renewed annually	U.S. Department of State and United States Educational Foundation Pakistan	132,000,000
Higher Education Commission Support	Provides budget support to the Higher Education Commission	3/10	2012	Higher Education Commission	91,000,000
Women's Dormitory Project	Supports construction of a 360-bed women’s dormitory at Foreman Christian College	7/11	8/14	Forman Christian College	7,000,000

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Links to Learning Project	Trains primary and middle school teachers and renovates conflict-damaged schools	10/07	10/12	American Institutes for Research	89,314,430
Children's Television Project	Provides interactive teaching and learning for children through a television program	5/10	5/14	Rafi Peer Theater Workshop	14,000,000
Earthquake-Damaged Schools Reconstruction Program	Reconstructs earthquake-damaged schools	10/06	4/12	CDM	121,250,980
Teacher Education Project	Provides preservice education for teachers	5/11	9/13	Educational Development Center	40,000,000

Source: USAID/Pakistan.

* This represents the total amount budgeted using FY 2010 and prior funds.

USAID provided the following key performance indicators for its education programs, along with results as of September 30, 2011:

- Number of schools constructed with U.S. Government support (result: 0).
- Number of schools rehabilitated with U.S. Government support (result: 160).

USAID reported its termination of the Southern Punjab Basic Education Program following the announcement by the government of Punjab Province that it will no longer accept U.S. Government assistance. Subsequently, USAID signed a \$19 million agreement with the government of Sindh Province to support the Sindh Basic Education Program using funds initially intended for the Punjab Basic Education Program.

PAS. As part of the Mission's strategic communication efforts, PAS operates one of the largest U.S. Government-sponsored educational and cultural programs in the world. Exchange programs are implemented by U.S.-based nonprofit institutions. In Pakistan, the United States Educational Foundation and the Fulbright Commission are extensively involved in the recruitment and selection of participants for academic and professional programs. Additionally, outreach and participant recruiting among a wide

variety of Pakistani Government entities, media, educational institutions, and NGOs is conducted through PAS programs.

Despite challenges in 2011 for Pakistan-U.S. relations, and difficulties obtaining Pakistani visas, the bilateral exchange programs have received a record number of applications and garnered significant interest. A new focus on alumni programming has invigorated a Pakistani-led alumni association that currently has over 8,000 members. PAS is also expanding the in-country English Language Access Program, an after-school program that teaches English to young adults aged 15–18 and currently includes over 5,000 Pakistani students. Using Pakistani interlocutors, the program is expanding into regions that are of strategic interest, including Quetta and other regions of Balochistan, as well as Khyber Pakhtunkhwa.

Health

The quality of basic health services is uneven in Pakistan, with the rural population particularly underserved. Improving the quality of care is complicated by the country’s growing population and by the ongoing devolution of health services to the provinces. Pakistan’s high fertility rate is expected to more than double the population by 2050, further straining the health system. The provinces, which do not yet have the financial and human resources to assume added health-care responsibilities, are negotiating with the federal government for adequate funding, skilled staff, and management and accountability systems at the provincial level.

The United States aims to support the Government of Pakistan in developing the capacity to deliver, with the assistance of NGOs, high-quality, cost-effective health interventions. Examples include efforts to increase contraceptive prevalence, reduce fertility rates, reduce infant mortality, and prevent maternal deaths. USAID contributes to this area of assistance.

USAID has 15 programs under way to support health services (Table 5). These programs focus on renovation and reconstruction of facilities, family planning, and polio eradication. In addition, USAID will be supporting a Demographic and Health Survey in Pakistan to collect and compile household information to inform national health indicators.

Table 5. USAID’s Health Programs as of September 30, 2011 (Unaudited)

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Jacobabad (J) and Peshawar (P) Water Program	Improves municipal service delivery of clean water	1/11 (J) 6/10 (P)	2013 2013	Winrock International	71,596,692

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Jinnah Post-Graduate Medical Center Project	Reconstructs the obstetrics and gynecology/fistula ward	5/10	4/13	CDM	4,059,270
Jacobabad Civil Hospital Project	Renovates Jacobabad Hospital	10/10	10/13	CDM	10,049,000
Health Supplies Project	Procures contraceptives and vaccines for national distribution	4/10	4/15	Various	44,975,765
Health Supplies Delivery Project	Provides logistic support with contraceptives to the provincial health ministries	9/08	Renewed annually	John Snow Inc.	5,000,000
Family Health Project	Supports the diversification of family planning activities	6/07	6/12	Population Council	48,424,566
Health Services Academy Support Project	Develops and strengthens institutional capacity in public health training and research	7/08	12/12	Pakistan Health Services Academy	7,200,000
Tuberculosis Survey Program	Conducts a survey of tuberculosis prevalence	6/10	12/11	Koninklijk Nederlandsche Centrale Vereeniging (KNCV)	4,570,000
Polio Vaccination Program	Conducts annual polio eradication campaigns	1/03	Renewed annually	United Nations Children's Fund (UNICEF)	8,500,000
Polio Vaccination Program	Conducts annual polio eradication campaigns	1/03	Renewed annually	World Health Organization	9,000,000

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Tuberculosis Project (flood support)	Renovates flood-affected tuberculosis facilities and restocks their medicines and equipment	4/11	12/11	John Snow Inc.	7,378,000
Nutrition Assessment Project	Supports the National Nutrition Survey 2011, which will identify links between nutrition and family planning and determine the level of vaccination coverage in Pakistan	4/11	4/12	Aga Khan University	588,974
Health Care Management Project	Assists with the devolution of nearly all public health responsibilities from the federal to provincial ministries	1/11	1/14	John Snow Inc.	5,265,000
Karachi Warehouse	Supports reconstruction of the Karachi Warehouse to store immunization and other medical supplies	7/09	7/11	Winrock International	2,710,000
Field Epidemiology and Laboratory Training Program	Provides training to epidemiologists	8/05	12/11	Centers for Disease Control and Prevention	5,683,676

Source: USAID/Pakistan.

* This represents the total amount budgeted using FY 2010 and prior funds.

USAID provided its key performance indicators for its health programs, along with results as of September 30, 2011:

- Number of health facilities rehabilitated with U.S. Government support (result: 128).

- Number of polio immunization campaigns completed (result: 7).

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

- Because of USAID's ongoing flood programs, the U.S. Government was able to respond to the 2011 monsoon floods, providing a mobile health unit and medical care to the nine affected districts.
- Planning and implementation discussions involving USAID, the Ministry of Health, and provincial governments continue to ensure that Pakistani Government priorities are incorporated into all health programming.

USAID also reported problems that continue to affect the implementation of its health programs:

- With the devolution of federal health programs to the provinces, USAID is facing communication, coordination, and planning challenges. Guidance from the Government of Pakistan is insufficient on the expected roles and responsibilities of federal, provincial, and district government actors in this sector. The Government of Pakistan is developing operating procedures and practices, which differ among provinces because of differences in their institutional capacity.
- The Government of Punjab announced that it will no longer accept U.S. Government assistance. USAID consequently cancelled all government-to-government programs in Punjab Province and is working to reprogram the funds originally slated for Punjab.
- The Sindh Health and Population Department has not yet formulated a clear vision for investment in the health and population sectors, including objectives and the strategic framework for such investment. Additionally, the department lacks technical expertise, human and financial resources, and adequate procedures for financial accountability and procurement.

Stabilization

The U.S. Government's stabilization program supports the Government of Pakistan's efforts in the Federally Administered Tribal Areas (FATA) and Khyber Pakhtunkhwa through short-term development activities, some longer term infrastructure investments, and support for incremental improvements in governance. Stabilization activities are closely aligned with the objectives of the 2010 Post Crisis Needs Assessment for FATA and Khyber Pakhtunkhwa, which include improving the responsiveness and effectiveness of the Pakistani Government to restore citizen trust; stimulating employment and livelihood opportunities; ensuring the delivery of basic services; and countering radicalization and fostering reconciliation. USAID, the U.S. Embassy's Narcotics Affairs Section (NAS), and the Regional Security Office (RSO) support assistance programs in this category.

USAID had 18 programs for stabilization under way during the quarter (Table 6). These programs provide cash transfers for housing damage, vocational training, and improvements in roads and electricity generation. In addition, USAID is planning a program that will provide physical, social, and economic support to civilian victims of conflict.

Table 6. USAID's Stabilization Programs as of September 30, 2011 (Unaudited)

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
FATA Livelihoods Program	Provides vocational training and apprenticeships, establishes market linkages, and undertakes improvements in small-scale infrastructure for farmers	5/08	2/13	CHF	59,400,000
FATA Infrastructure Program	Improves roads; water infrastructure; and electricity generation, distribution, and transmission	12/09	12/14	FATA Secretariat and Frontier Works Organization	160,000,000
Pakistan Transition Initiative	Supports conditions for stability and development in conflict-prone and other priority areas of Pakistan	11/07	12/15	Creative Associates, International, Organization for Migration, Internews, and BeFaRE	130,919,945
Khyber Pakhtunkhwa Reconstruction Program	Supports the reconstruction and recovery of conflict-affected districts	3/10	12/14	Provincial Reconstruction, Rehabilitation and Settlement Authority	83,534,400
FATA Secretariat Support Project	Increases the capacity of FATA Secretariat for participatory planning, management, and oversight of stabilization and development activities	9/11	9/16	Abacus Consulting	5,000,000
Provincial Reconstruction, Rehabilitation & Settlement Authority Capacity Building	Increases capacity for management and oversight of stabilization and development activities	2/10	1/12	KPMG	1,527,398

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
FATA Child Health Project	Provides health equipment and mobile health units, reconstructs health facilities, and trains health-care providers	9/06	12/12	Save the Children	26,150,000
Monitoring & Evaluation – Malakand	Supports monitoring and verification of USAID investments in small-scale infrastructure	4/10	12/11	AGES Consultants	3,760,000
Monitoring & Evaluation – FATA	Supports monitoring and verification of USAID investments in road and electricity infrastructure	12/09	12/11	Associates in Development	2,340,000
Radio Transmitters in FATA & Khyber Pakhtunkhwa Project	Provides radio transmitters to FATA and Khyber Pakhtunkhwa	6/10	12/11	Harris IT	8,639,577
Child Protection Program	Establishes child protection centers and provides support for psychological counseling	9/10	9/12	UNICEF	3,538,000
Benazir Income Support Program	Provides cash assistance to needy families	6/09	6/10	Benazir Income Support Program (BISP)	160,000,000
Malakand & FATA Housing Support Program	Provides housing damage assistance for Khyber Pakhtunkhwa and FATA through a cash transfer	6/10	6/11	Provincial Reconstruction, Rehabilitation and Settlement Authority	65,000,000
Citizens' Damage Compensation Fund	Provides cash assistance to flood-affected households	6/11	6/12	National Database and Registration Authority (NADRA)	190,000,000

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Human Resources, Logistical & Rapid Procurement Support to NDMA	Provides capacity-building and procurement of relief supplies for flood-affected people on behalf of NDMA	8/10	12/11	International Organization for Migration	5,800,000
Monitoring & Assessment of USAID Sindh Flood Relief	Monitors USAID-funded flood assistance activities in Sindh	10/10	11/11	APEX Consulting	192,171
Monitoring & Assessment of Balochistan Flood Emergency	Monitors USAID-funded flood assistance activities in Balochistan	10/10	11/11	Community Uplift Program	204,284
Monitoring & Assessment of USAID of Khyber Pakhtunkhwa and Punjab Flood Relief	Monitors USAID-funded flood assistance activities in Punjab and Khyber Pakhtunkhwa	10/10	11/11	Voice Tel Tech	487,518

Source: USAID/Pakistan.

* This represents the total amount budgeted using FY 2010 and prior funds.

USAID reported the following examples of progress and success in its stabilization activities:

- USAID's \$62 million in assistance to flood-affected, vulnerable farmers is achieving results in Khyber Pakhtunkhwa, Punjab, and Balochistan. In Khyber Pakhtunkhwa, for instance, program beneficiaries reported a 75 percent increase in wheat yield (1,750 kilograms per acre, up from 1,000 kilograms in the previous year) from the use of inputs provided under the program. The following factors contributed to the increase in yield: improved high-quality seed, high-quality fertilizer, timeliness in the delivery of USAID inputs, and frequent rains.
- Frontier Works Organization (the Pakistan military's equivalent of the Army Corps of Engineers) has completed approximately 90 percent of the 110-kilometer Kaur-Wana road and 94 percent of the 105-kilometer Tank-Sararogha road. Only road signage and marking are left to be completed on the Tank-Sararogha road.

- Of 115 schools planned, 89 are under construction, while bids for constructing an additional 21 schools are being solicited as part of the Khyber Pakhtunkhwa Reconstruction Program. This work will generate over 72,000 days of employment, worth \$335,000 to the local economy.
- Under the Khyber Pakhtunkhwa Reconstruction Program, USAID and the Government of Pakistan signed a program implementation letter for the construction of five basic health units to replace units that were destroyed during counterterrorism military operations in the Malakand.

USAID also reported problems that continue to affect the implementation of its stabilization programs:

- Security in some vulnerable areas is hindering implementation. However, USAID is working with Government of Pakistan officials to resolve security issues.
- Designing and implementing agreements with provincial governments have been time-consuming.
- The lack of women's participation in development programs continues to be a challenge.

NAS. As previously reported, NAS, 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 provide 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 its infrastructure projects use Pakistani contracting mechanisms.

NAS reported the following successes for its current programs:

- *Number of hours flown by the Air Wing under the aviation program.* During the quarter, the Air Wing program logged 818 hours. Missions of note included support to the Pakistan Rangers in Sindh Province, who were addressing security problems in Karachi following an upsurge in violence, and support of the Punjab Rangers and the Pakistan Coast Guard.
- *Number of kilometers of road constructed and percentage of other infrastructure projects completed under the infrastructure program.* Construction of counternarcotics roads (3.5 kilometers) is under way in the Shalman region of Khyber Agency, as is construction of the Mattani Bypass and Landi Kotal Bypass roads. Reconstruction of Peshawar's Southern Ring Road and construction on the Kanju-Madyan road in Swat is in progress. Construction continues on three Swat Valley police stations—Mingora, Rahimabad, and Kabul—projected to be finished in December 2011. Construction of a joint police training center in Nowshera began in September 2011.
- *Number of law enforcement officials trained, number of prosecutors trained.* During the reporting period, 283 law enforcement officials from across Pakistan were trained. Over 135 community police officers who will be working in 45 community policing stations in Islamabad were enrolled in the Community Policing Program, which provides training and mentoring. Seventy-five prosecutors in Khyber Pakhtunkhwa and Sindh Provinces were trained in case preparation and trial advocacy skills,

legal aspects of combating terrorism, and anti-money-laundering through seminars provided by the resident legal advisor and by guest lecturers, all of whom are practicing U.S. federal prosecutors and judges.

- *Amount of equipment delivered under the Civilian Law Enforcement Reform Program.* NAS delivered \$5.6 million worth of equipment and committed an additional \$2.2 million worth of equipment.

Compared with previous reporting periods, impediments to implementation of NAS projects were reduced, according to NAS. For example, harassment by the Pakistani Government of NAS personnel in Quetta ceased during the quarter, allowing the Air Wing to resume operations. NAS personnel also worked closely with their Pakistani counterparts to implement programs. However, NAS reported that the issuance of visas, particularly for contractors providing support to the Air Wing, has continued to be a problem.

RSO. The RSO at the U.S. Embassy in Islamabad contributes to improving security and legal institutions through 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 quarter, RSO trained 255 officers, including 75 who completed tactical training, 38 of whom were from the Provinces of Khyber Pakhtunkhwa and Balochistan.

Cross-Cutting: Governance, Gender Equality, and Public Communication and Outreach

The cross-cutting priorities of U.S. Government assistance—improved governance, gender equality, and increased public communication and outreach—have been included in the discussion of sectoral assistance programs as appropriate. The U.S. Government also supports programs focused exclusively on these areas.

USAID has 12 programs designed to improve governance, gender equality, and public communication (Table 7). USAID's programs in this category of assistance include a hotline for the public to register complaints, support to organizations that oppose domestic violence and gender discrimination, and civil society support. In addition to its ongoing programs, USAID is planning a program to monitor and observe the upcoming national elections and a municipal services program to improve service delivery at the provincial level.

Table 7. USAID's Governance, Gender Equality, and Public Communication and Outreach Programs as of September 30, 2011 (Unaudited)

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Parliamentary Services Building Project	Supports construction of the Parliamentary Institute	3/10	12/11	Habib Rafiq	9,300,000
Anti-Fraud Hotline Project	Allows citizens to report waste, fraud, and abuse of U.S. Government funds through a free hotline	1/09	9/15	Transparency International-Pakistan	1,150,000
Political Polling	Conducts three nationwide public perception polls	11/10	1/12	International Republican Institute (IRI)	500,000
Gender Equity Program	Makes small grants to organizations opposing domestic violence and gender discrimination	8/10	8/15	Aurat Foundation	14,368,429
Small Grants / Ambassador's Fund	Makes small awards for community initiatives that support U.S. foreign assistance objectives	8/10	8/15	National Rural Support Program	14,000,000
Citizens' Voice Project	Makes small grants to civil society projects that support U.S. foreign assistance objectives	5/11	9/15	Trust for Democratic Education and Accountability	10,000,000
Political Parties Development Program	Improves transparency and accountability of Pakistani political parties to their constituents	7/11	7/15	National Democratic Institute (NDI)	4,500,000

Name	Description	Start Date	End Date	Implementing Partner	Budgeted Amount* (\$)
Exchanges/Strategic Communications	Conducts a variety of exchange programs and in-country English language training which support strategic communications objectives	7/05	2015	DOS, Bureau of Educational and Cultural Affairs	9,223,500 [†]
Independent Monitoring and Evaluation Contract	Provides missionwide support for monitoring, evaluation, and PakInfo	6/11	6/16	Management Sciences International (MSI)	7,000,000
Support to Special UN Envoys to Pakistan	Provides support for the Office of the Special Envoy of the Secretary General for Assistance to Pakistan	6/09	12/11	U.N. Secretariat	2,030,980
Transfer to USIP	Promotes religious tolerance, peaceful interfaith dialogue, and counter-extremist messaging in Pakistan	8/11	8/11	USIP	3,000,000
Capacity Building for Human Rights and Gender	Provides collaborative capacity building for human rights and gender	1/09	9/11	American University Washington College of Law	2,355,347

Source: USAID/Pakistan.

* This represents the total amount budgeted using FY 2010 and prior funds.

[†] Amount includes FY 2011 funds that were released early.

USAID provided examples of progress and success in its governance assistance programs:

- The U.S. Ambassador's Fund has awarded 31 grants totaling nearly \$2.7 million to support community-driven initiatives throughout Pakistan. This quarter, the fund supported building and furnishing two housing units for orphaned children in Quetta, Balochistan.

- The Gender Equity Program has to date awarded 37 grants totaling nearly \$2.1 million to Pakistani NGOs and Pakistani Government organizations to support women in crisis, initiate research and devise a national strategy on gender-based violence, conduct awareness campaigns on women's rights, and build the capacity of local groups to provide assistance such as expanded access to legal services. This quarter witnessed awards to the University of the Punjab and the University of Karachi to support the development of a national information-sharing network among university-based gender studies programs. The network will strengthen teaching and research capacities and use its e-portal with the National Commission on the Status of Women as a platform for conducting applied policy and program research.
- On September 29, USAID signed a \$5.7 million grant with the World Bank's Water and Sanitation Program. The 5-year award will fund policy development, sustainable water services, capacity building for provincial and local utilities, and other technical assistance. The award also will promote women's full participation in the policy dialogue.
- USAID has launched a \$21.5 million program with NDI and IRI to strengthen Pakistan's political parties. The Political Parties Development Program will enable parties to work more effectively with constituents at the local level, and conform to international standards for democratic parties. The program includes a strong focus on women's political participation.
- IRI has completed its second round of national polling. The organization presented results to Pakistan's political parties, as well as to Embassy and USAID officials.

USAID also reported challenges to implementing programs for improved governance and gender equality:

- Women's equal participation in all of Pakistan's development programs remains a challenge.
- Stimulating citizen-government partnerships for improved program planning and implementation is necessary yet challenging, because it requires building confidence between and among public and private actors.
- Working with provincial governments to design and implement government-to-government agreements has been a very time-consuming process.

PAS. As part of the Mission's strategic communication efforts, PAS is expanding the in-country English Language Access Program. This after-school program teaches English to young adults aged 15–18 and currently includes over 5,000 Pakistani students. Using Pakistani interlocutors, the program is expanding into regions that are of strategic interest, including Quetta and other regions of Balochistan as well as Khyber Pakhtunkhwa.

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 and NGOs.³ 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.
- Deliver on-budget assistance⁴ to promote transparency, harmonization, and better budget planning by the Government of Pakistan.
- Reduce costs.

USAID made 61 awards totaling nearly \$1.27 billion during FY 2010. During FY 2011, it made an additional 42 awards totaling nearly \$439.5 million to Pakistani institutions (Table 8). USAID reported making 11 awards totaling approximately \$29.5 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.

Prior to disbursing 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 organizations' policies, procedures, and practices for effective and efficient management of USAID/Pakistan resources. To date, USAID has completed 114 preaward assessments. Five assessments were completed this quarter:

- Auditor General of Pakistan, completed July 13, 2011
- Abacus Consulting Technology Pvt. Limited, completed August 15, 2011
- A. A. Associates, completed September 23, 2011
- Halcrow Pakistan Pvt. Limited, completed September 26, 2011
- National Development Consultants Pvt. Limited, completed September 28, 2011

³ 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)).

⁴ 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.

Table 8. Assistance to Pakistani Institutions Since October 1, 2010 (Unaudited)

Implementing Partner, Project	Number of Awards	Value (\$) of Obligations
Budget Support* (Cash Transfers)	1	190,000,000
NADRA, Citizens' Damage Compensation Program	1	190,000,000
Direct Funding for Federal Government Projects	12	148,814,803
FATA Secretariat, Tank-Kaur and Kaur-Jandola Road	1	5,124,925
FATA Secretariat, Wana Grid station upgrade	2	5,800,000
FATA Secretariat, Kaur-Gomal-Tanai-Wana Road	1	42,006,820
FATA Secretariat, Reactivation and rehabilitation of damaged transformers	1	8,800,000
FATA Secretariat, Widening and improvement of FATA roads	1	8,856,631
Higher Education Commission, Merit and Needs-based Scholarship Program	1	1,500,000
Ministry of Finance and Revenue, Competitiveness Support Fund	1	1,250,000
Provincial Reconstruction, Rehabilitation and Settlement Authority, Khyber Pakhtunkhwa Reconstruction Program	2	9,476,427
WAPDA, Gomal Zam Dam and Irrigation	1	40,000,000
WAPDA, Satpara Dam and Irrigation	1	26,000,000
Direct Funding for Provincial Government Projects	1	19,000,000
Sindh Department of Education, Sindh Basic Education Program [†]	1	19,000,000
Awards to Pakistani NGOs	28	81,712,915
Abacus Consulting, Capacity Building of FATA Secretariat [†]	1	3,217,870
Aga Khan University, National Nutrition Survey [†]	1	588,974
Apex Consulting, Monitoring and assessment of flood response in Sindh [†]	1	103,083
Apex Consulting, Monitoring and assessment of flood response in Sindh (follow-on)	1	89,088
Associates in Development, Assessment and Strengthening Program	1	1,642,550
Aurat Foundation, Gender Equity Program	1	14,368,428
Community Uplift Program, Monitoring and assessment of flood response in Balochistan [†]	1	102,816
Community Uplift Program, Monitoring and assessment of flood response in Balochistan (follow-on)	1	101,468
Dairy and Rural Development Foundation, Dairy Project	1	2,500,000
FINCON, Information collection for Agribusiness Project [†]	1	199,472
Foreman Christian College, Women's Hostel [†]	1	6,000,000
Habib-Rafiq (Pvt.) Ltd./ CDM Constructors, Inc., Parliament Services Building Project	1	903,139
Halcrow, Architect & Engineering Services [†]	1	30,000
Key Chain Films, Production of videos on development activities	1	50,000
Khushhali Bank, Energy Efficiency Project	1	13,624,581
KPMG Taseer Hadi & Co., Provincial Reconstruction, Rehabilitation and	1	1,527,398

Implementing Partner, Project	Number of Awards	Value (\$) of Obligations
Settlement Authority Secretariat Support Project		
Lahore University of Management Sciences, Assessment and Strengthening Program	1	3,856,775
National Rural Support Program, Small Grants and Ambassador's Fund	1	5,000,000
NESPAK, Architectural and engineering services [†]	1	30,000
Rural Support Programmes Network, Assessment and Strengthening Program	1	4,100,675
Rural Support Programmes Network, Agriculture Recovery Program	1	15,000,000
Transparency International, Anticorruption Program	1	40,000
Trust for Democratic Education & Accountability, Election Support Project	1	8,000,000
Voice Tel Tech, Monitoring and assessment of cash transfers	1	149,080
Voice Tel Tech, Monitoring and assessment of flood response in Punjab [†]	1	101,489
Voice Tel Tech, Monitoring and assessment of flood response in Punjab (follow-on)	1	142,270
Voice Tel Tech, Monitoring and assessment in Khyber Pakhtunkhwa [†]	1	101,489
Voice Tel Tech, Monitoring and assessment in Khyber Pakhtunkhwa (follow-on)	1	142,270
Total	42	439,527,718

Source: USAID/Pakistan.

* For budget support, U.S. assistance funds are comingled with other budgetary resources available to the Pakistani Government. 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, July to September 2011.

Staffing

The U.S. Mission in Pakistan—including USAID and Embassy components⁵—increased staffing levels at the regional office in Lahore, maintained its staffing level at the regional office in Peshawar, but experienced a decrease in staffing in Islamabad and Karachi.

As shown in Table 9, USAID reported a total of 220 staff (48 U.S. direct-hires and 172 others) as of September 30, 2011. Since the last quarterly report, the mission’s staff has decreased by six members because of transfers and summer rotations. Also, delays in construction at the Embassy compound in Islamabad prevented USAID from accommodating additional staff. However, with an FY 2011 target of 296 staff, USAID/Pakistan remains understaffed by 76 positions. According to the *Pakistan Assistance Strategy Report*, 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.

Table 9. USAID Staffing in Pakistan as of September 30, 2011

Category	Islamabad	Peshawar	Lahore	Karachi	Total	Difference from June 30, 2011
U.S. direct hire	41	3	3	1	48	-2
U.S. staff from other departments and agencies	0	0	0	0	0	0
U.S. personal services contractors	15	4	1	0	20	-1
Third-country nationals	7	1	0	0	8	0
Foreign Service Nationals (Pakistani staff)	99	23	10	5	137	+3
Eligible family members	5	0	0	0	5	-1
Long-term temporary-duty staff*	2	0	0	0	2	-5
Total Staff	169	31	14	6	220	-6
Staff Target 2011					296	
Staff Shortfall					76	

* 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.

⁵ PAS reported that it had 22 U.S. direct hires and 54 Pakistani staff on board as of September 30, 2011.

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. The following previously identified challenges facing the civilian assistance program remained pertinent during this quarter:

- *Political risks.* Pakistan continued to experience political, economic, and security-related turmoil. Such turmoil can limit the progress by the Government of Pakistan and the U.S. Government in delivering an effective assistance program.
- *Operating restrictions.* Implementation and monitoring of USAID projects have been hindered by stricter Government of Pakistan requirements for travel outside of Islamabad and provincial capitals. Visits to some areas require several days' prior notification and sometimes the approval of the Ministry of Foreign Affairs; these restrictions delay and often lead to the cancellation of site visits. Staffing has also been hampered by denial of and delay in issuing visas and visa extensions for U.S. Government employees, as well as by issuance of limited-term visas. Further, USAID personnel have been harassed by local authorities.
- *Resistance to economic reform.* Entrenched interests may resist policy reforms needed to transform the economy. According to USAID, if Pakistan does not implement fundamental reforms, assistance from the United States and other donors will have limited long-term effects.
- *Vulnerability to natural disasters.* Flooding and the resulting damage have delayed implementation of projects in flood-affected areas. Because Pakistan is prone to natural disasters such as flooding, this is a regular risk. To help Pakistan address this risk, USAID supports programs in water storage and management, including the surface water management program for Balochistan and Gomal Zam Dam, which contribute to flood mitigation efforts. USAID also has ongoing efforts to strengthen the capacity of NDMA in both disaster response and disaster risk reduction.
- *Adverse environmental impact.* USAID/Pakistan conducts environmental assessments before disbursing funds for projects. These assessments—for example, of the road from Tank to Wana and Kaur to Makeen in South Waziristan—sometimes identify concerns and potential risks regarding the projects' impact on the environment or communities. To address these environmental concerns, USAID will identify and take the necessary steps to ensure these risks can be mitigated before continuing the activity.
- *Leadership turnover.* Turnover is high in entities of the Government of Pakistan affecting planning, coordination, and implementation of programs. In addition, the devolution of federal health programs to provinces with insufficient guidance on the expected roles and responsibilities of the

federal, provincial, and district governments, is also impeding implementation. USAID will continue to work closely with all government counterparts as necessary.

- *Limited institutional capacity.* In FATA, Khyber Pakhtunkhwa, and Balochistan, where there is limited institutional capacity and insufficient staff with experience in financial management, extra efforts must be made to mitigate the risk of resources being lost through inefficiency, theft, or general lack of capacity to handle large amounts of funding.
- *Inadequate financial management in Government of Pakistan institutions.* The U.S. Government and the Government of Pakistan have collaborated to introduce special accounts for U.S. budget support assistance to address financial challenges and to maintain a high degree of accountability. However, financial management, accountability, and reporting challenges continue.
- *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, and to engage Pakistani officials in project design.

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 programs. USAID is meeting the challenge by expanding its regional office in Lahore and its use of Pakistani firms to conduct site visits. In addition, USAID/Pakistan awarded a missionwide, independent monitoring and evaluation contract to MSI in June 2011. Services provided under the contract include routine monitoring, training on data entry for project performance, mapping using a geographic information system, and conducting evaluations and assessments. MSI is verifying the integrity of the data provided by USAID/Pakistan's implementing partners, which serve as the basis for annual performance reporting. Additionally, USAID's Office of Afghanistan and Pakistan Affairs is developing a database (PakInfo) that will include not only the indicators that the mission uses to measure the progress of its programs, but also all the indicators that each implementing partner uses to track progress.

To mitigate the fiduciary risk of working with local institutions, USAID has hired accounting firms to conduct preaward assessments to ensure that potential recipients of USAID assistance meet U.S. transparency and accountability standards. These assessments identify partner weaknesses and areas of improvement that are documented in a Risk Management Framework. USAID then actively works with partners to build the requisite capacity to mitigate potential risks. In addition, USAID has begun to rely increasingly on fixed-amount reimbursable agreements as a mechanism for assistance programs implemented through Pakistani institutions. This mechanism requires progress to be achieved before funding is released to the implementer.

In addition to these USAID strategies, the OIGs for USAID and DOS have 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 September 30, 2011, USAID OIG had 14 permanent staff in Islamabad (9 U.S. direct hires and 5 Foreign Service National

employees), supplemented by staff on temporary duty. To support its Pakistan portfolio, DOS OIG established its field office at the U.S. Embassy in Islamabad last October.

- *Expanding the use of independent Pakistani public accounting firms to conduct financial audits of funds provided to Pakistani NGOs.* As of September 30, 2011, USAID OIG had a roster of 27 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 nearly doubled the size of this roster.
- *Providing training to Pakistani public accounting firms and to the Office of the Auditor General.* The training covers standards and requirements for financial audits of U.S. Government funds. As of September 30, 2011, USAID OIG had provided training to 21 public accounting firms (42 participants) and 16 NGOs (31 participants)—totaling 73 participants in FY 2011. Additionally, this quarter, USAID OIG provided training to 15 auditors from the Office of the Auditor General and 3 financial analysts from USAID/Pakistan.
- *Providing training to USAID’s contracting and agreement officers’ technical representatives and financial analysts.* The training covers the standards and requirements for financial audits of U.S. Government funds. As of September 30, 2011, 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 in FY 2011.
- *Helping the Office of the Auditor General conduct financial audits.* USAID OIG helps the office conduct financial audits of funds provided by USAID/Pakistan to Pakistani Government entities by reviewing the statement of work between the mission and the Office of the Auditor General for each audit conducted and approving the final reports to ensure that the audits were performed in accordance with government auditing standards. USAID OIG meets periodically with the Auditor General to review the status of ongoing audits.
- *Working with Pakistan’s National Accountability Bureau (NAB).⁶* USAID OIG established a working relationship with NAB in early 2010 and continues to coordinate efforts and collaborate on investigations.
- *Collaborating with USAID/Pakistan to establish the Anti-Fraud Hotline in Pakistan.* As the only one of its kind in Pakistan, the hotline provides a unique and useful tool for Pakistani citizens to provide feedback to USAID, its implementing partners, and the Government of Pakistan. This quarter, the hotline received 549 complaints through various channels—e-mail, Internet, facsimile, mail, and in person. These complaints relate to projects funded by USAID and by other organizations, including the Pakistani Government, bilateral donors, and international organizations.

⁶ 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.

- *Providing fraud awareness briefings and expanding investigatory coverage.* During the reporting period, OIG special agents in Pakistan gave one fraud awareness briefing attended by 16 Government of Pakistan auditors.
- *Coordinating audits and investigations with other U.S. agencies.* USAID OIG works with other OIGs, GAO, and law enforcement agencies including the FBI's International Corruption Unit, the National Procurement Task Force, the Financial Crimes Enforcement Network, 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

From July 1 through September 30, 2011, USAID OIG completed one performance audit and one financial audit:

- **Audit of USAID/Pakistan's Community Rehabilitation Infrastructure Support Program (Audit Report No. G-391-11-006-P, August 29, 2011).** The audit determined that USAID/Pakistan had made little progress constructing and renovating community infrastructure in Pakistan's rural areas to improve the delivery of basic human services, or in promoting economic growth. Two years after it began, the program had completed only four minor renovations of universities and six career centers. Other completed activities included: two design projects, two feasibility studies, and the procurement of furniture and equipment for a children's health institute. The program was far behind schedule on 350 community infrastructure projects. The audit made ten recommendations to improve the program.

Following issuance of the report, USAID stated that it had addressed all ten recommendations provided by OIG; based on the recommendations, USAID will terminate this project in April 2012.

- **Audit of USAID/Pakistan's Fiscal Year 2011 Consolidated Financial Statements.** This audit is part of the worldwide audit of USAID's consolidated financial statements. At the end of the testing, OIG/Pakistan submitted to OIG/Washington a summary memo of the procedures performed and the results obtained; consequently, USAID OIG did not issue a formal audit report. The audit did not identify any material issues during the testing phase, but made five suggestions to improve operations.

Work Under Way

As of September 30, 2011, USAID OIG had four performance audits and five financial audits in process:

- **Audit of USAID/Pakistan's Firms Project.** This audit will determine whether the project is achieving its main goal: to expand economic opportunities through sales and employment.

- **Audit of USAID/Pakistan’s Energy Efficiency and Capacity Program.** This audit will determine whether the program is achieving its goal of improving energy availability, affordability, conservation, and efficiency to sustain Pakistan’s economic growth.
- **Audit of USAID/Pakistan Transition Initiative Program Implemented by Creative Associates International, Inc.** This audit will determine whether the program has identified basic community needs and implemented small-scale projects that support the Government of Pakistan’s efforts to improve relations with citizens living in areas suffering from instability and extremism.
- **Audit of USAID/Pakistan’s Pre-Service Teacher Education Program.** This audit will determine whether the program is improving basic education through improved teacher education.
- **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 Economic 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 Project, for the Period July 2, 2004, to June 30, 2011.**
- **Financial Audit of USAID Funds Managed by the Ministry of Economic Affairs and Statistics (Economics 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 USAID Funds Managed by the Pakistan Higher Education Commission for the Ministry of Economic Affairs and Statistics Under the Cash Transfer Agreement, for the Period September 30, 2009, to June 30, 2010.**

Investigative Work and the Anti-Fraud Hotline

As of September 30, 2011, USAID OIG had significant investigative work to report. USAID OIG closed 4 investigations during the reporting period and had 19 open cases. In addition, hotline calls led to investigations that resulted in terminations, numerous referrals, and allegations of violations of Pakistan’s public procurement rules. The following are significant investigative case developments:

- **Guilty Pleas of Four Pakistanis in Kickback Scheme Related to USAID Project in the Federally Administered Tribal Areas.** In July 2011, the Director General of the Pakistan National Accountability Bureau (NAB), Khyber Pakhtunkhwa office, announced that four men had entered voluntary pleas admitting guilt for their roles in a bid-rigging scheme related to the USAID-

funded Federally Administered Tribal Areas Livelihood Development Program. The goal of the program, implemented under a \$150 million cooperative agreement with the Academy for Educational Development (AED) was to provide social and economic stabilization in FATA. The agreement was terminated for cause by USAID in June 2010 after an ongoing investigation by OIG and the Federal Bureau of Investigation revealed indications of widespread fraud. Under Article 25(A) of the NAB Ordinance (1999), the four men returned 12 million rupees (approximately \$140,000) as part of their agreement. The recovered funds will be returned to USAID.

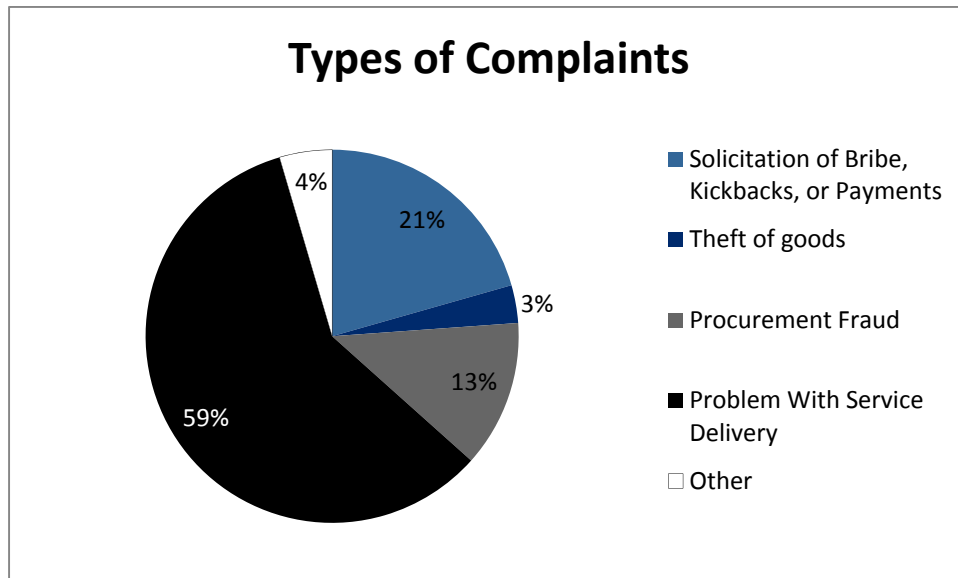
- **Civil Settlement Related to Fraud in USAID-Funded Programs in Afghanistan and Pakistan.** In June 2011, AED⁷ agreed to settle allegations that it had submitted false claims to USAID in connection with two cooperative agreements in Afghanistan and Pakistan. Although certain terms of the settlement with the Department of Justice are contingent on future events, AED has already paid \$5,635,000 toward these claims and could pay up to an additional \$10 million over the next 3 years. In the settlement agreement, the government alleged that AED failed to comply with regulations concerning competition in procurements and with contract specifications and failed to supervise its subcontractors. The government further alleged that AED failed to inform USAID that it had discovered defects in its internal control system and that certain AED subcontractors may have been involved in corruption and wrongful activities.
- **Personnel Terminations Related to Corruption in Pakistan Disaster Relief Projects.** During the spring and summer of 2011, the USAID OIG Pakistan Anti-Fraud Hotline received over 200 complaints regarding problems with service delivery and criminal misconduct by employees of the Sindh Rural Support Organization (SRSO). SRSO is a recipient of subcontracts from USAID implementing partners carrying out flood relief efforts for USAID/Pakistan, for USAID's Office of Foreign Disaster Assistance, and for USAID's Food for Peace Program. To date, the OIG investigation has revealed significant problems with controls over the distribution of cash, food, and other relief goods to undesignated areas. As a result of the investigation, SRSO has terminated 21 employees.

As described above, the hotline provides a unique and useful tool for the people of Pakistan to provide feedback to USAID, its implementing partners, and the Pakistani Government. Since its introduction in February 2011, the hotline has been widely advertised. As a result, in FY 2011 it has received 2,368 complaints about the delivery of flood relief services and requests for humanitarian assistance.

This quarter the hotline received 549 complaints through various channels. These complaints related to projects funded by USAID and implemented by NGOs, international organizations, and the Government of Pakistan. The breakdown of complaints received this quarter by province or area is as follows: Sindh 431 (79 percent), Punjab 59 (11 percent), and Khyber Pakhtunkhwa 30 (5 percent), Balochistan 12

⁷ On June 8, 2011, the nonprofit organization Family Health International purchased all assets and programs belonging to AED.

(2 percent), Azad Kashmir 10 (2 percent), and other areas 1 percent or less. The following figure shows the breakdown of complaints by type.



Also during the quarter, USAID OIG and hotline personnel streamlined the process of referring complaints about service delivery to USAID implementing partners. Of the complaints received, 184 were referred to another agency, as follows:

- Benazir Income Support Program—68 referrals
- WFP—29 referrals
- Rural Support Programmes Network—82 referrals
- NGOs not funded by USAID—5 referrals

The \$174 million USAID-funded Benazir Income Support Program (BISP) provides assistance to Pakistani women and families in need. All hotline complaints regarding this Government of Pakistan program are forwarded to BISP. USAID OIG plans to follow up with BISP quarterly to determine the outcome of the complaints. The majority of the complaints received regarding BISP this quarter related to eligibility or recipients and service delivery.

USAID OIG has also developed a close working relationship with WFP in Pakistan, which has made it possible to investigate allegations of fraud and corruption in USAID-funded flood relief efforts. Referrals to WFP related to service delivery have resulted in improved targeting and distribution of food.

While the vast majority of the complaints related to the delivery of flood relief, numerous complaints provided important information for ongoing investigations or resulted in the initiation of inquiries into other matters, such as alleged violations of the Pakistan Public Procurement Rules of 2004. USAID OIG works closely with hotline personnel to monitor and address such complaints concerning the tendering of USAID-funded projects carried out by the Government of Pakistan.

During the quarter, the hotline received and addressed complaints of procurement rule violations regarding projects being carried out by Government of Pakistan entities funded under agreements with USAID totaling \$50.1 million. The projects are rehabilitating power stations in Muzaffargarh, Jamshoro, and Tarbela. Some complainants alleged that tenders by the government-owned power companies running two of the stations violated the procurement rules. The tenders, which were for a fuel additive, required the use of a particular type of additive, giving its vendor an unfair advantage. Other allegations included cancelling a tender without giving bidders the required notice, not complying with procurement rules in selecting vendors, and not making documents available for public review. Acting on this information, hotline personnel lodged complaints under Pakistan's procurement rules; as a result, three tenders were cancelled, and two are pending.

Department of State Office of Inspector General

Work Under Way

As of September 30, 2011, DOS OIG had one audit and three evaluations under way:

- **Audit of the U.S. Mission in Pakistan's Local Guard Force Contract.** The audit will evaluate the Department of State's contract with the security contractor, G4S, to determine whether the contract has been administered effectively and whether G4S has achieved established performance measures. The contract with G4S includes provision of the local guard force for Embassy Islamabad, as well as for the three U.S. consulates in Pakistan.
- **Evaluation of the Antiterrorism Assistance Program in Pakistan.** This evaluation will determine the degree to which the Antiterrorism Assistance Program in Pakistan, which provides training and equipment to police, has achieved its intended outcomes, and assess whether the program provides effective oversight of contracts and U.S. Government-furnished equipment.
- **Performance Evaluation of Management Controls Over Civilian Assistance to Pakistan.** The evaluation will review the Department of State's civilian assistance for Pakistan (excluding U.S. Agency for International Development programs) to determine whether management controls are in place, documented, and operating as intended and to ensure that DOS-administered funds are protected from waste, fraud, and diversion.
- **Evaluation of Emergency Action Plan for Embassy Islamabad.** The evaluation will focus on Embassy Islamabad's formulation of a comprehensive Emergency Action Plan, the completeness of associated documentation, and general knowledge and preparedness of all mission personnel.

Department of Defense Office of Inspector General

DOD OIG has no completed or ongoing 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

GAO completed two engagements during the reporting period, July 1–September 30, 2011:

- **Pakistan Assistance: Relatively Little of the \$3 Billion in Requested Assistance Is Subject to State's Certification of Pakistan's Progress on Nonproliferation and Counterterrorism Issues (GAO-11-786R, July 19, 2011).** On March 18, 2011, the Secretary of State signed a certification attesting that Pakistan continues to cooperate with the United States on dismantling nuclear networks; that Pakistan demonstrated a sustained commitment to and made significant efforts toward combating terrorism in the preceding fiscal year; and that Pakistan's security forces were not subverting the political and judicial processes of Pakistan. As a result of DOS certification, the United States can provide security-related assistance to Pakistan in FY 2011. DOS originally requested \$296 million in FY 2011 in Foreign Military Financing for Pakistan. According to discussions with DOS officials and our review of the law and DOS budget requests, the Enhanced Partnership Act could limit about \$350 million in Foreign Military Financing that DOS requested for Pakistan in FY 2012. That is approximately 12 percent of the administration's FY 2012 request of \$3 billion for total foreign assistance to Pakistan. The remainder of about 88 percent, or \$2,615 million, is not limited.
- **Combating Terrorism: Pakistan Counterinsurgency Funds Disbursed, but Human Rights Vetting Process Can Be Enhanced (GAO-11-860SU, September 20, 2011).** The United States has provided assistance to build the capabilities of Pakistani security forces combating violent extremists, including \$1.2 billion appropriated to the DOD Pakistan Counterinsurgency Fund and \$700 million appropriated to the State Pakistan Counterinsurgency Capability Fund. GAO found that as of July 31, 2011, DOD had disbursed 94 percent of \$400 million appropriated to the DOD fund for FYs 2009 and 2010, and 80 percent of \$700 million appropriated to the DOS fund for FYs 2010 and 2011. Congress appropriated \$800 million to the DOD fund for FYs 2011 and 2012. According to DOD, it is in the process of planning the allocations for the \$800 million, and none of the funds have been disbursed. Further, GAO found that all Pakistani security forces that received assistance through these funds between July 2010 and March 2011 were vetted for human rights

violations and approved to receive the assistance. While GAO also found that the vetting process has improved through the use of a web-based vetting tracking system, GAO recommended that DOD and DOS develop procedures or take other appropriate steps to better ensure the accuracy of key data elements entered into the vetting system.

Work Under Way

As of September 30, 2011, GAO had three ongoing engagements concerning Pakistan:

- **Pakistan's Anti-Terror Efforts.** The Enhanced Partnership with Pakistan Act of 2009 prohibits military assistance and arms transfers to Pakistan in FYs 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 its security forces are not subverting the country's political and judicial processes. The act requires GAO to independently assess this certification. This engagement will assess the extent to which (1) the amount of State's funding is contingent on the certification, (2) State complied with the mandate requirements, (3) the certification is supported by evidence from other U.S. agencies and the views of experts, and (4) State obtained input from other agencies to develop the certification and justification memorandum. Expected Completion: GAO issued an unclassified report on this engagement in July; GAO will issue a separate, classified product evaluating State's justification for certifying Pakistan's cooperation and progress in November 2011.
- **Pakistan Nuclear Networks.** The Enhanced Partnership with Pakistan Act of 2009 prohibits military assistance and arms transfers to Pakistan in FYs 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, such as 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) the A.Q. Khan network facilitated the proliferation of sensitive nuclear technology, (2) experts identified potential gaps in the U.S. Government's knowledge of the A.Q. Khan network, (3) Pakistan has cooperated with the United States to ensure that the network is no longer active, and (4) DOS certification is consistent with experts' views on Pakistan's cooperation with U.S. efforts to dismantle nuclear networks. Expected Completion: GAO issued an unclassified report on this engagement in July; GAO will issue a separate, classified product evaluating State's justification for certifying Pakistan's cooperation and progress in November 2011.
- **Pakistan Ammonium Nitrate Smuggling.** Ammonium nitrate fertilizer is used to manufacture improvised explosive devices in Afghanistan that are a threat to U.S., coalition, and Afghan forces. Pakistan is a significant source of the ammonium nitrate used in Afghanistan. GAO has been asked to examine (1) U.S. efforts to encourage the Government of Pakistan to implement its plan to address the regulation and sale of ammonium nitrate and other precursor materials for improvised explosive devices (IEDs), (2) the amount of assistance provided to the Government of Pakistan to counter smuggling of ammonium nitrate and other precursor materials for IEDs, and (3) the coordination of counter-IED efforts by U.S. Government agencies. GAO expects to complete this engagement in Summer 2012.

Completed Oversight Reports as of September 30, 2011

Table 10 lists oversight reports completed since the passage of the Enhanced Partnership with Pakistan Act, October 15, 2009.

Table 10. Oversight Reports Completed as of September 30, 2011

Agency	Report Number	Report Date	Report Title
<i>FY 2011 Reports</i>			
GAO	GAO-11-860SU	9/20/11	Combating Terrorism: Pakistan Counterinsurgency Funds Disbursed, but Human Rights Vetting Process Can Be Enhanced
USAID	G-391-11-006-P	8/29/11	Audit of USAID/Pakistan's Community Rehabilitation Infrastructure Support Program
GAO	GAO-11-786R	7/19/11	Pakistan Assistance: Relatively Little of the \$3 Billion in Requested Assistance Is Subject to State's Certification of Pakistan's Progress on Nonproliferation and Counterterrorism Issues
USAID	G-391-11-004-R	6/23/11	Closeout Financial Audit of the Forman Christian College for the Development of a Four-Year Bachelor Degree Program and Strengthening Programs in Basic Science and Information Technology, for the Period July 1, 2009, to March 31, 2010
USAID	G-391-11-005-P	6/20/11	Audit of USAID/Pakistan's Road Rehabilitation and Reconstruction Activities Under the Quick Impact Projects in South Waziristan
USAID	G-391-11-001-N	5/26/11	Financial Audit of USAID/Pakistan's Rupee Trust Fund, for the Period October 1, 2006, to September 30, 2009
USAID	G-391-11-003-R	5/10/11	Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-01073-00, Managed by Competitiveness Support Fund for the Period July 1, 2009, to June 30, 2010
USAID	G-391-11-004-P	5/6/11	Audit of USAID/Pakistan's Management of Preaward Assessments
USAID	G-391-11-002-R	4/8/11	Closeout Financial Audit of the Program "Interactive Teaching & Learning Project," USAID/Pakistan Cooperative Agreement No. 391-A-00-06-01075-00, and Financial Audit of Program "Links to Learning Education Support to Pakistan," Sub-Award under USAID/Pakistan Cooperative Agreement No. 391-A-00-08-01100-00, Managed by Children's Global Network Pakistan Limited, for the Period July 1, 2008, to February 26, 2010

Agency	Report Number	Report Date	Report Title
GAO	GAO-11-310R	2/17/11	Department of State's Report to Congress and U.S. Oversight of Civilian Assistance to Pakistan Can Be Further Enhanced
GAO	GAO-11-156R	2/15/11	Accountability for U.S. Equipment Provided to Pakistan Security Forces in the Western Frontier Needs to be Improved
USAID	G-391-11-003-P	1/24/11	Audit of USAID/Pakistan's Flood Relief Efforts as Administered by Local Nongovernmental Organizations
DOS	MERO-I-11-01	1/11	The Bureau of Population, Refugees and Migration's Internally Displaced Persons Program in Pakistan
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	G-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	G-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
<i>FY 2010 Reports</i>			
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

Agency	Report Number	Report Date	Report Title
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	4/15/10	Combating Terrorism: Planning and Documentation of U.S. Development Assistance in Pakistan's Federally Administered Tribal Areas Need to Be Improved
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
BISP	Benazir Income Support Program
DEA	Drug Enforcement Administration
DOC	Department of Commerce
DOD	Department of Defense
DOE	Department of Energy
DOS	Department of State
ECON	Economic Affairs Section (U.S. Embassy Islamabad)
FATA	Federally Administered Tribal Areas
FBI	Federal Bureau of Investigation
FFP	Food for Peace
FY	fiscal year
GAO	Government Accountability Office
GDP	gross domestic product
IED	improvised explosive device
IRI	International Republican Institute
KNCV	Royal Netherlands Tuberculosis Association (Koninklijk Nederlandsche Centrale Vereeniging)
MSI	Management Sciences International
NAB	National Accountability Bureau
NADRA	National Database and Registration Authority
NAS	Narcotics Affairs Section (U.S. Embassy Islamabad)
NDI	National Democratic Institute
NDMA	National Disaster Management Authority

NGO	nongovernmental organization
OFDA	Office of Foreign Disaster Assistance
OIG	Office of Inspector General
PAS	Public Affairs Section (U.S. Embassy Islamabad)
POL	Political Affairs Section (U.S. Embassy Islamabad)
RSO	Regional Security Office (U.S. Embassy Islamabad)
SRSO	Sindh Rural Support Organization
U.N.	United Nations
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USIP	U.S. Institute of Peace
USTDA	U.S. Trade and Development Agency
WAPDA	Water and Power Development Authority
WFP	World Food Programme