



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/WEST BANK AND GAZA'S EMERGENCY JOBS PROGRAM

AUDIT REPORT NO. 6-294-11-001-P
OCTOBER 13, 2010

CAIRO, EGYPT



Office of Inspector General

October 13, 2010

MEMORANDUM

TO: USAID/West Bank and Gaza Director, Michael T. Harvey

FROM: Regional Inspector General/Cairo, Jacqueline Bell /s/

SUBJECT: Audit of USAID/West Bank and Gaza's Emergency Jobs Program (Report No. 6-294-11-001-P)

This memorandum transmits our final report on the subject audit. We have considered your comments on the draft report and have included your response in Appendix II.

The audit report contained no recommendations, and there is no additional action required by your office to address the report's findings.

Thank you for the cooperation and courtesy extended to the audit team during this audit.

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SUMMARY OF RESULTS

The West Bank and Gaza continue to experience high unemployment, which contributes to the marginalization of their citizens. For 2009, the Palestinian Central Bureau for Statistics reported a 17.8 percent unemployment rate for the West Bank and 38.6 percent for the Gaza Strip. Unemployment was concentrated among youth aged 15–24, for whom the rate was 38.9 percent, followed by people aged 25–34 with a rate of 24.9 percent. At the same time, USAID/West Bank and Gaza reports that municipalities urgently need rehabilitation of basic infrastructure, including utilities supplying water and electricity, schools, roads, and agricultural production facilities.

To provide temporary relief for thousands of families in at least 100 communities in the West Bank and Gaza, USAID/West Bank and Gaza developed the Emergency Jobs Program, which creates jobs through small-scale infrastructure projects. These projects have included construction and rehabilitation of retaining walls, roads, and sidewalks; community, women’s, and youth centers; health-care facilities; kindergartens and schools; and playgrounds and parks. They aim to infuse needed capital into local economies and help move the West Bank and Gaza toward improved quality of life and sustained economic growth.

To implement the program, the mission signed a 3-year, \$20 million cooperative agreement with CHF International (CHF) effective from September 29, 2007, to September 30, 2010. On September 29, 2009, the mission increased the budget to \$34 million. On June 24, 2010, the mission approved a no-cost extension postponing the project completion date from September 30, 2010, to January 31, 2011. The agreement requires CHF to complete 200 small infrastructure projects throughout the West Bank and Gaza. As of June 30, 2010, USAID/West Bank and Gaza had obligated \$34 million and expended \$21.9 million under the Emergency Jobs Program.

The infrastructure projects under the Emergency Jobs Program have three classifications, as follows:

- Community-driven projects identified by CHF in collaboration with local governmental units and other local stakeholders.
- Projects supporting other USAID projects and programs, such as vocational training and education.
- Emergency response projects identified by USAID/West Bank and Gaza.

The map on the following page shows the project sites in the West Bank.¹

¹ Of the total 225 planned projects, only one small rubble removal project was executed in Gaza; thus, Gaza is not included in the map.



Source: USAID/West Bank and Gaza

The Regional Inspector General/Cairo conducted this audit to answer the following question: Is USAID/West Bank and Gaza's Emergency Jobs Program achieving its main goal of providing short-term employment opportunities to Palestinians?

USAID/West Bank and Gaza's Emergency Jobs Program has achieved its main goal to provide short-term employment opportunities to Palestinians in terms of the *number of persons employed*, as shown in Table 1, but did not meet its FY 2009 target for *number of person-days of employment generated*.

Table 1. Three Program Indicators and Their Short- and Long-Term Targets and Results as of July 11, 2010

Indicator	FY 2009 Target	Result	Result as % of Target	Cumulative Program Target	Result	Result as % of Target
Number of persons employed	1,100	4,215	383	8,142	8,864	109
Number of beneficiaries	400,000	561,992	140	1,500,000	1,434,797	96
Number of person-days of employment generated	150,000	111,941	75	290,000	276,521	95

Still, CHF was on track to exceed the cumulative program goal of 290,000 employment days.

As of July 11, 2010, CHF had completed 134 infrastructure projects and was on target to complete the required number of projects by the end of the program on January 31, 2011. In fact, CHF had identified 225 projects to be implemented (Table 2).

Table 2. Infrastructure Projects Supported by the Emergency Jobs Program, by Type and Status as of July 11, 2010

Project Type	Completed	Ongoing	Planned	Total
Community and charitable centers	5	7	0	12
Cultural renovation/ tourism	1	4	0	5
Health facilities	11	0	0	11
Kindergartens	4	3	0	7
Playgrounds and parks	6	0	1	7
Retaining walls/ sidewalks/road works	49	23	6	78
Rubble removal	1	0	0	1
Schools	41	34	1	76
Women's centers	6	1	0	7
Youth centers	9	7	2	18
Combination of project types	1	2	0	3
Total	134	81	10	225

Moreover, the program achieved more than quantitative successes. It helped subcontractors improve their technical skills, trained engineers who supervised construction activities, met the needs of beneficiary communities, and used local materials. CHF also implemented an effective branding strategy that raised community awareness of the U.S. Government's funding of the infrastructure projects.

Detailed findings appear in the following section. The audit's scope and methodology are described in Appendix I, and the mission's comments are included in Appendix II.

AUDIT FINDINGS

USAID/West Bank and Gaza's Emergency Jobs Program was on track to exceed its target to conduct 200 infrastructure activities by January 31, 2011. Besides number of infrastructure projects, the mission used six indicators to measure progress on the program; this audit focused on three of the indicators.² The result on one, *number of person-days of employment generated*, fell short of the target for FY 2009.

Three developments contributed to the shortfall in the *number of person-days of employment generated* for FY 2009:

- Because of a shift in the political situation, projects planned for Gaza were not implemented.
- A contractors union strike delayed local construction firms' bids on projects.
- USAID/West Bank and Gaza unexpectedly recommended projects for FY 2009 that were not labor-intensive.

The first two developments were beyond USAID/West Bank and Gaza's control. When the mission amended its agreement with CHF in September 2009 to provide an additional \$14 million to the project, \$12 million—or more than 40 percent of the \$34 million in total program funds—was intended for projects in Gaza. During the first 2 years of the program, CHF implemented only one small rubble removal project valued at \$15,709 in Gaza. Because of the ongoing security and political situation in Gaza,³ CHF could not conduct any additional projects there. Consequently, in April 2010, the mission approved the use of the Gaza funds for projects in the West Bank.

A second development that contributed to CHF's inability to conduct projects in the West Bank was a contractors union strike that occurred from December 2007 through April 2008, just as CHF was tendering the first infrastructure projects for bids from construction firms in the West Bank. As a result of the strike, construction firms were delayed in bidding on the projects, in turn delaying the beginning of construction activities. Although the cooperative agreement was signed at the end of September 2007, construction firms with which CHF had signed subcontracts started only seven projects before the end of April 2008.

The third development that affected the attainment of the targeted *number of employment days generated* was the unexpected inclusion of some projects recommended by USAID/West Bank and Gaza for FY 2009 in support of other USAID projects and programs. These projects were not as labor-intensive as other types of projects, generating fewer person-days of work. These projects included the construction of schools and youth clubs, which, because of safety standards, required

² The three indicators audited were *number of persons employed*, *total number of beneficiaries*, and *number of person-days of employment generated*.

³ The Islamic Resistance Movement (HAMAS) seized control of Gaza in a military-style coup in June 2007. HAMAS has been designated as a terrorist organization by the U.S. Government.

less labor-intensive methods of construction,⁴ such as machine mixing of concrete for building columns and roofs. To address this shortfall, CHF has proposed more labor-intensive projects for FY 2010, such as the construction of retaining walls (pictured below) and sidewalks.

Having revised the mix of projects planned for FY 2010, USAID/West Bank and Gaza was on schedule to exceed the number of planned projects and the target of 290,000 *person-days of employment generated*. Since corrective action has already been taken, we make no recommendation to address the FY 2009 shortfall in *person-days of employment generated*.



This gabion wall constructed under the Emergency Jobs Program prevents flooding and landslides in Ein Shibly in the Nablus Governorate. This labor-intensive method of construction creates jobs. (Photo by the Office of Inspector General, June 2010)

The Emergency Jobs Program achieved more than quantitative successes. USAID/West Bank and Gaza ensured that the infrastructure projects undertaken were consistent with the mission's overall goals. USAID identified many of the projects to complement other USAID activities in the West Bank. CHF identified the other projects in collaboration with local communities. This approach led to community buy-in of the planned projects. Another aspect of each project was to develop a sustainability plan for

⁴ Safety standards for constructing roofs and building columns require that the concrete must be poured quickly so that the entire structure will dry at one time. Building a roof or column slowly using hand-mixed cement can result in structural problems in the construction.

each of the projects to ensure commitment and interest from communities in maintaining infrastructure over the long term.

Other achievements are discussed below.

Qualitative Achievements

- **Projects Have Benefited High-Needs Communities.** The cooperative agreement that USAID/West Bank and Gaza signed with CHF made CHF responsible for ensuring that the infrastructure projects are carried out where assistance is needed most urgently based on the level of unemployment, food insecurity,⁵ access to basic services, and donor support in each community.

To ensure that infrastructure activities were implemented in the neediest communities, CHF conducted needs assessments using the criteria mentioned above and also deployed teams to the areas identified to confirm the needs of those communities. Having identified the target communities, CHF met with local leaders to determine which projects were most needed in each community.

- **CHF Trained and Used Engineering Fellows on Projects.** CHF provided close supervision of all infrastructure projects being implemented under the Emergency Jobs Program to ensure a high level of construction quality. CHF site engineers were assigned to each construction project to provide direct oversight of the construction. Engineers trained by CHF through the Engineering Fellows Program often served as site engineers. The Engineering Fellows Program, which was also implemented under the Emergency Jobs Program, was a program to employ fully credentialed, recent engineering graduates with 1 to 2 years of engineering experience to provide site supervision and monitor contractor compliance. CHF reported that as of March 2010, 57 engineering fellows had already been trained and that, by program completion, a total of 117 fellows will have graduated. These engineering fellows are housed in CHF's regional offices in Nablus, Ramallah, and Hebron, which were established to provide more hands-on monitoring in all three regions of the West Bank. The cooperative agreement required at least 25 percent female participation in the Engineering Fellows Program; the program far exceeded this requirement, with women accounting for 80 percent of trainees.

The regional offices also provide for monitoring of the quality of the data reported under the program. The site engineers interviewed indicated that they verified the data recorded daily by the contractors on the number of person-days of employment generated and the number of persons employed. These data were also checked biweekly by the regional coordinators. CHF provides a detailed biweekly report to USAID/West Bank and Gaza on the status of each active infrastructure project as well as a detailed spreadsheet showing overall program implementation status.

⁵ Food insecurity is characterized by a lack of food security, or universal "physical and economic access to sufficient food to meet . . . dietary needs for a productive and healthy life" (Food and Nutrition Technical Assistance Project, *Food Security Indicators and Framework for Use in the Monitoring and Evaluation of Food Aid Programs*, January 1999).

- **Hiring Mandates and Minimum Salaries Have Benefited Local Workers.** The mission's Emergency Jobs Program also established standards to ensure that local workers benefited from the program's activities. The agreement mandated the hiring of workers from the communities where the projects are implemented and established minimum salaries for both skilled and unskilled workers. CHF ensured compliance with these requirements by including them in its subcontracts with construction firms. Interviews with local officials, construction firm supervisors, and construction workers indicated that local workers were hired whenever possible, and the workers considered their wages satisfactory.

As a direct result of the efforts of USAID/West Bank and Gaza and CHF, the infrastructure projects implemented under the Emergency Jobs Program have met the needs of the communities that the projects were designed to benefit. The community officials and beneficiaries interviewed expressed their satisfaction with the construction projects' quality and usefulness. Construction workers also expressed their appreciation for the opportunity to participate in the program.

Indirect Benefits

Several indirect economic benefits of the program have accrued to the communities in the West Bank. These benefits include permanent job creation, enhanced capabilities of local construction firms, and the use of local construction materials as discussed below.

- **Permanent Job Creation.** USAID/West Bank and Gaza reported that as a result of the Emergency Jobs Program, 150 permanent jobs were created, including additional jobs for teachers when more classrooms (like the one shown on the next page) were constructed.
- **Enhanced Capabilities of Local Construction Firms.** Under this program CHF has worked with almost half of the approximately 400 licensed construction firms in the West Bank. Most contractors selected were small, local construction firms that gained expertise by working with CHF; with increased levels of expertise, they became eligible to bid on larger construction projects.
- **Use of Local Construction Materials.** The subcontracts with the local construction firms have encouraged the use of locally produced construction materials, such as ceramic tiles and aluminum. Use of these materials has benefited the local economies and has also helped improve the quality of construction materials produced, because they must meet the high standards required under the program.



Classroom constructed at Wadi Fukin school in the Bethlehem Governorate under the Emergency Jobs Program. (Photo by Office of Inspector General, June 2010)

Successful Branding

USAID's branding policies are set forth in the Agency's Automated Directives System (ADS) Chapter 320, "Branding and Marking." ADS 320.3.1 describes the purpose of a branding strategy, which is to "ensure that our implementing partners communicate that the assistance is from the American people."

The branding message was effectively communicated under the Emergency Jobs Program. All project sites visited had USAID signs featuring the USAID logo and indicating that the funding was from the American people. Generally, CHF placed temporary signs at construction sites and installed permanent stone plaques after projects were completed. (See photo on the next page.)

USAID/West Bank and Gaza's and CHF's branding strategy was not limited to placing signage at project sites:

- The USAID/West Bank and Gaza Mission Director and high-level Palestinian Authority officials often attended inauguration ceremonies.
- Village councils' public meetings, community Web sites and newsletters, and announcements made at mosques communicated the job program in the communities.



Emergency Jobs Program plaque stands alongside the Beit Ur Al Tahta sidewalk project in the Ramallah Governorate. (Photo by the Office of Inspector General, June 2010)

- Events at schools and youth clubs provided venues for distributing USAID promotional hats and t-shirts.
- Construction workers wore safety vests and hats bearing the USAID logo.
- CHF prepared fact sheets in English and Arabic for each site to distribute to interested parties.
- Press tours of construction sites promoted awareness of the project activities.

As a result of the branding efforts, residents of the communities visited had broad-based knowledge of the USAID activities. Beneficiaries, local leaders, construction supervisors, construction workers, and the communities in general were aware of the source of the funding for the infrastructure projects implemented under the Emergency Jobs Program.

EVALUATION OF MANAGEMENT COMMENTS

USAID/West Bank and Gaza provided its comments on the draft report on September 28, 2010. In its comments, the mission expressed agreement with all of the report's contents and reiterated the mission's commitment to meeting its overall program target of 290,000 person-days of employment generated.

Because our report contained no recommendations, no additional action is required by USAID/West Bank and Gaza to address the findings of this audit report.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Cairo (RIG/Cairo) conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions. The purpose of this audit was to determine whether USAID/West Bank and Gaza's Emergency Jobs Program is achieving its main goal of providing short-term employment opportunities to Palestinians. No previous audits addressed the areas reviewed.

The scope of the audit covered reported results for fiscal year 2009. The Regional Inspector General/Cairo performed this audit at USAID/West Bank and Gaza and the Ramallah office of its implementing partner, CHF, from June 9 to July 19, 2010. We also conducted site visits to 28 Emergency Jobs Program infrastructure project sites throughout the West Bank. These sites represented 28 of the 40 projects in our random sample and constituted all the projects that had been recorded as "started" on the April 14, 2010, project status tracking sheet, which was used as a basis of our sample selection. The other 12 of 40 projects in our sample were either not started or had been cancelled, with the exception of the Anin retaining wall project, which could not be visited because of security concerns on the day of our scheduled visit.

During our site visits, we relied on CHF staff as translators to conduct interviews in Arabic with local officials and beneficiaries as well as construction subcontractors and workers. Additionally, we relied on USAID/West Bank and Gaza and CHF staff to translate source documents that supported the reported indicator results.

As of June 30, 2010, \$34 million had been obligated and \$21.9 million had been expended for the Emergency Jobs Program.

Methodology

To answer the audit objective, we first identified the program's main goals and significant program risks. We met with key personnel at USAID/West Bank and Gaza and CHF. We reviewed relevant documentation provided by USAID/West Bank and Gaza and CHF. We also reviewed the terms of the agreement and applicable policies and procedures. We gained an understanding of the program design and of the method USAID planned to use to monitor and measure the results.

We reviewed compliance by the mission and CHF with Executive Order 13224, "Executive Order on Terrorist Financing," and with USAID/West Bank and Gaza Mission Order No. 21, "Anti-Terrorism Procedures." Our antiterrorism compliance testing included reviews of documentation such as USAID/West Bank and Gaza's agreement with CHF, subcontracts with construction firms, and records showing that USAID/West

Bank and Gaza had vetted municipalities and key personnel of subcontractors to ensure that they met the antiterrorism criteria.

To verify reported results for the audited indicators, we selected a random sample of 40 projects from a universe of 198 Emergency Jobs Program infrastructure projects that had been identified as of April 14, 2010. This sample size provides 90 percent confidence that our conclusions regarding the universe based on our sample items are correct. This confidence level was based on a tolerable error rate of 5 percent and an assumption of 4 percent variation. To verify compliance with antiterrorism requirements, we used discovery sampling and selected a random sample of 58 projects from the universe of 198 projects. This sample size provides 95 percent confidence that our conclusions regarding the universe based on our sample are correct.

We traced reported results for the random sample of projects to the relevant source documents (time sheets and beneficiary letters) to verify the number of beneficiaries, number of people employed, and person-days of employment generated.

We verified that the cumulative totals for the three audited indicators matched in USAID/West Bank and Gaza's reporting system and CHF's biweekly tracking sheet from October 2009, which reported the cumulative results through the end of FY 2009. Because these two sources agreed and we were able to verify the overall accuracy of the CHF biweekly tracking sheet by reviewing a sample of supporting documentation, we consider the FY 2009 results accurate.

During site visits we verified the accuracy of the reported project status, verified that the project site complied with USAID branding requirements, and observed and discussed the quality of the construction. We interviewed local officials to determine whether the infrastructure projects were meeting the needs of the community and being used for their intended purposes. We also ascertained whether local officials, beneficiaries, and construction workers were aware of the source of funding for the projects.

MANAGEMENT COMMENTS



DATE: September 28, 2010

TO: Jacqueline Bell, Regional Inspector General, Cairo

FROM: Michael T. Harvey, Mission Director, USAID West Bank and Gaza /s/

THROUGH: Sherry F. Carlin, Deputy Mission Director /s/

SUBJECT: Comments on Draft Performance Audit Report of USAID West Bank and Gaza's Emergency Jobs Program

Reference: Bell/Sumka memorandum dated May 17, 2010

USAID West Bank and Gaza wishes to thank the Regional Inspector General/Cairo for conducting the audit on the Emergency Jobs Program. The subject audit report has been reviewed by the technical office implementing the Emergency Jobs Program in collaboration with other members of the Mission, and is in agreement with all of its contents.

The overall nature of the audit and the ensuing report is comprehensive and we appreciate the thoroughness with which RIG/Cairo addressed the question of whether the Mission is achieving its main goal of providing short-term employment opportunities to Palestinians. We concur with the audit conclusion that, USAID/West Bank and Gaza's Emergency Jobs Program was on track to exceed its target to conduct 200 infrastructure activities by January 31, 2011.

While the audit report does not include any findings or recommendations, or identify any significant problem areas, it mentioned the Emergency Jobs Program falling short of meeting its targeted number of person-days of employment generated in FY 2009. As stated in the audit report, the Mission and the Recipient have taken corrective action and revised the work-plan and the mix of projects for FY 2010 to increase the emphasis on job creation which put the Mission and the Recipient on track to exceed the targeted number of 290,000 person-days of employment generated. In addition, the Mission is continually monitoring implemented activities to ensure that the Emergency Jobs Program meets the needs of the intended communities.

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