May 27, 2013

MEMORANDUM

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

FROM: Regional Inspector General/Cairo, Catherine Trujillo /s/

SUBJECT: Audit of USAID/West Bank and Gaza’s Compete Project (Report No. 6-294-13-012-P)

This memorandum transmits our final report on the subject audit. We have considered your comments on the draft report and included them, without attachments, in Appendix II. The final report includes five recommendations to improve the management of USAID/West Bank and Gaza’s Compete Project. Based on management’s comments on the draft report and other information provided, we acknowledge that the mission made management decisions on all five recommendations and completed final action on Recommendations 2, 3, and 5. They are closed upon the issuance of this report.

Please provide the Office of Audit Performance and Compliance Division with the necessary documentation to achieve final action on Recommendations 1 and 4.

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

The following abbreviations appear in this report:

ADS  Automated Directives System
CFR  Code of Federal Regulations
COR  contracting officer’s representative
DAI  Development Alternatives Inc.
EDF  environmental documentation form
FY  fiscal year
ICT  information, communication, and technology
MEO  mission environmental officer
PERSUAP  pesticide evaluation report and safe use action plan
PMP  performance management plan
RIG  Regional Inspector General
SUMMARY OF RESULTS

The Palestinian economy took a slight turn for the better after Salam Fayyad became the Palestinian Authority’s prime minister in 2007 and Israel relaxed some security constraints. A limited number of large Palestinian firms used this opportunity to compete in international markets. However, small and medium-sized firms were less able to do so because they remain isolated by border closures and permit restrictions. Hampering their prospects further, these firms rely mainly on the small Palestinian market because of their limited capacity and contacts outside the region.

USAID/West Bank and Gaza is helping the small and medium-sized Palestinian firms improve their capacity and connect with international markets so they can compete on the global stage. In January 2012 the mission awarded a 3-year, $35 million contract with a 2-year, $23 million option period to Development Alternatives Inc. (DAI) to implement the Enterprise Development for Global Competitiveness Project, known as the Compete Project. The goal was to improve small and medium-sized Palestinian firms’ access to global markets by strengthening their ability to compete and their export potential in four sectors essential to the future prosperity of the Palestinian economy. Those sectors are agriculture and agribusiness; stone and marble; tourism; and information technology.

The project consists of Components A and B. Component A was to help these firms become more competitive by increasing their exports in regional and international markets, and by helping Palestinian businesses serve a larger share of the local market. Component B was to strengthen Palestinian business associations’ capacity and increase local business services for the firms supported under Component A. As of March 13, 2013, USAID had obligated $26 million and disbursed $6 million.

The Regional Inspector General/Cairo (RIG/Cairo) conducted this audit as part of its fiscal year (FY) 2013 audit plan to determine whether USAID/West Bank and Gaza’s Compete Project was improving small and medium-sized Palestinian firms’ access to the global economy.

According to its first-year annual performance report, DAI’s staff has been innovative and successful in the four sectors within a short time frame. Some of their significant accomplishments are listed below.

Tourism. Project staff helped create a joint public-private committee, with the Ministry of Tourism’s approval, and it developed a hotel classification system that uses internationally recognized hospitality service standards. DAI launched the system in December 2012.

Information, Communication, and Technology (ICT). Staff members got leading Palestinian high-tech enterprises and major international ICT firms to invest in innovation projects. For example, a firm based in California shifted some of its research and development contracts from India to a company in Ramallah. Enterprises benefitting from these activities reported a 2 percent increase in sales in FY 2012.

Agriculture. DAI installed four solar-powered water treatment systems to resolve water salinity problems that affect farms in the Jordan Valley. Less saline water is better for irrigation, and that increases productivity, quality, and overall competitiveness of Palestinian produce. Interviews with beneficiaries confirmed their optimism about the systems and the quality of the produce.
Stone and Marble. Compete staff members helped small and medium-sized stone and marble firms, which either had no or minimal experience, resources, and knowledge in accessing the global market, band together to create marketing consortiums. So far, staff members have worked with two beneficiaries focused on selling marble and stone products in regional and international markets. One beneficiary said that participating in just one trade show in Italy, with project support, resulted in $3 million in contracts.

Unfortunately, DAI lost momentum because of delays (page 4). The delays can be attributed to (1) Congressional holds on appropriated funds for the Palestinian Authority and (2) the vetting process required under Mission Order 21, “Anti-Terrorism Procedures.”

Although DAI achieved some noteworthy successes despite the delays, the audit identified the following areas for improvement in project management.

- DAI did not comply with required environmental regulations (page 5). It implemented one activity without submitting the required environmental forms and started two activities before the forms were submitted.

- In the award’s statement of work, the mission did not require DAI to prepare a gender strategy (page 7). As a result, DAI did not do one, and cultural biases against women in the Palestinian workforce were not addressed.

- USAID/West Bank and Gaza did not develop performance indicators to track the progress for activities in Component B (page 8). As a result, the mission cannot determine whether the business associations and service providers assisted can sustain the level of support that firms in the four sectors need.

To improve the Compete Project’s effectiveness, the audit recommends that USAID/West Bank and Gaza:

1. Direct Development Alternatives Inc. to submit the required environmental documentation forms, pesticide evaluation report, and safe use action plan in a timely manner, and do so in future activities under the Compete Project (page 6).
2. Require Development Alternatives Inc. and the contracting officer’s representative to institute an internal control system for tracking environmental compliance under the Compete Project (page 7).

3. Provide training to Compete Project staff members on environmental compliance and document whether to expand this training mission-wide (page 7).

4. Direct Development Alternatives Inc. to implement a gender strategy for the Compete Project and, based on the results, include any relevant gender-sensitive indicators in its performance monitoring and evaluation plan (page 8).

5. Direct Development Alternatives Inc. to implement performance indicators in the Compete Project’s performance monitoring and evaluation plan that measure results toward improving the capacity of the business associations and service providers critical to the four sectors (page 9).

Detailed findings appear in the following section, and the scope and methodology appear in Appendix I. Management comments, without attachments, are in Appendix II, and our evaluation of them is on page 10.
AUDIT FINDINGS

Funding and Vetting Problems
Delayed Project

As stated in the contract, the Compete Project’s goal is to improve small and medium-sized Palestinian firms’ access to the global economy by improving their ability to compete and their export potential within four sectors that are essential to the future prosperity of the Palestinian economy: agriculture and agribusiness; stone and marble; tourism; and information technology. The project has two components. Component A aims to help the firms become competitive in global markets, and Component B’s aim is to help develop business organizations that can support the firms.

According its first-year work plan, DAI was to implement 49 activities—25 under Component A and 24 under B. Under Component A, the staff was supposed to implement a number of activities in the agriculture sector with a goal of increasing exports by $5 million in targeted agricultural commodities; for the information technology sector, the goal was to execute at least six new ICT contracts with international buyers for Palestinian products or services. Under Component B, the project was to complete the evaluation and maintenance of all filter press machines,1 like the one shown below, in the stone and marble sector to improve efficiency and protect the environment.

The mission and DAI signed the contract on January 3, 2012, but did not begin implementation until June 2012 because of delays. Of the 49 project activities listed in the work plan, the mission cancelled 23; some of those included upgrading meat and dairy facilities, and building

1 Well-maintained filter press machines produce higher-quality products, help cutting tools last longer, recycle water, comply with environmental regulations, and capture all slurry (debris) produced when stone is cut.
capacity for the Ministry of Agriculture’s veterinary services staff. The value of exports for targeted agricultural commodities did not meet its first-year target, and only four new ICT contracts were executed instead of six. Activities under Component B also were affected. For example, even though the evaluation of all filter press machines was completed, maintenance for them was on hold until funding was available.

Most of the delays stemmed from funding problems. Members of the U.S. Congress withheld funds for the Palestinian Authority in 2011 and 2012. In addition, Mission Order 21’s lengthy vetting process—required to comply with Executive Order 13224, “Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism”—also delayed implementation. Mission officials said carrying out the two-step vetting process took longer than anticipated. For example, according to its first-year annual performance report, DAI submitted 297 requests from people and organizations that wanted to be involved in the project, but it did not receive the vetting results for most of the requests until 30 days later. The vetting process also was delayed by turnover in the contracting officer’s representative’s (COR’s) position.

Mission officials said that even though it was not possible to quantify the financial impact of the delays, they caused activities to lose momentum. For example, DAI lost most of Compete’s original staff during the first year because of funding problems, and that increased administrative and support costs associated with starting, stopping, and restarting activities.

Ultimately, the delays mean the mission may not meet its overall goal, particularly in terms of sustainability. Mission officials said the delays could affect whether they will exercise the project’s optional 2-year extension.

However, since funding was released to the mission in March 2013 and the vetting process has been improved, we are not making any recommendations at this time.

**Implementer Did Not Comply With Environmental Regulations**

Pursuant to 22 Code of Federal Regulations (CFR) 216, “Environmental Procedures,” USAID/West Bank and Gaza prepared and approved an initial environmental examination for the Compete Project. The examination determined that proposed activities would not have a significant effect on the environment as defined under the CFR if appropriate mitigation and monitoring measures were followed. DAI had to submit environmental documentation forms (EDFs) listing the measures to be taken during activity implementation, along with a pesticide evaluation report and safe use action plan (PERSUAP).

According to the contract, DAI was to perform environmental screening to identify potential adverse impacts that all proposed activities could have on the environment and develop the appropriate measures to mitigate any that were found. The mission environmental officer (MEO) had to approve the EDF with the mitigation and control measures before any activity began.

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2 On April 18, 2011, the USAID/West Bank and Gaza Country Congressional Notification was submitted, and three informational holds were placed on it. In late December 2011 only $40 million of $187 million in FY 2011 economic support funds was released. The remaining amount was released after Secretary of State Hillary Clinton interceded in April 2012. Congress also placed a hold on FY 2012 funding and did not release it until March 2013.
DAI did not submit an EDF for one activity, and the mission approved the forms after DAI started work on two other activities.

**No EDF Submitted.** In August 2012 DAI started an activity that involved irrigating olive orchards. However, the MEO only learned about it incidentally during a meeting in early January 2013. Furthermore, one of the 66 orchards assisted used treated wastewater for irrigation, which could have a negative environmental impact. This activity was slated to expand significantly from 30 acres to approximately 2,500 acres, highlighting the importance of a preliminary assessment.

The COR said DAI did not do an EDF for the olive orchard irrigation project because one farmer independently decided to use wastewater, and Compete staff said they conducted the necessary testing, believing there would be no negative consequences.

DAI finally submitted an EDF for the irrigation activity at the mission’s request on February 21, 2013—6 months after it began. On the form, DAI mentioned using traps containing a pesticide, which should have triggered the need for a PERSUAP before implementation. DAI’s chief of party said they did not do a PERSUAP because they thought that it applied only to pesticides sprayed directly on fields. The mission determined that was not correct.

**EDFs Submitted After Activities Began.** DAI started the following activities before they were approved.

- **Aqua 4-D:** This activity used a water treatment system called Aqua 4-D to mitigate the effects of the region’s salty water on farmland. According to the COR, Compete’s staff installed the system in the Jordan Valley in September 2012. The approval date on the EDF, however, was October 2012.

- **Red palm weevil:** This activity was designed to implement a pheromone-based trapping system to kill the red palm weevil, an insect that is destroying palm trees in the region. Mission officials said DAI delivered the traps in October and distributed them on November 19, 2012, but the approval date on the EDF was November 23, 2012.

DAI started Aqua 4-D before getting approval because officials there did not believe they needed an EDF. By the time they did complete the form, however, the equipment had arrived and was already in use.

For the red palm weevil traps, DAI officials said they believed the MEO had approved their use on November 12, 2012, in an e-mail stating that she agreed with their draft changes and they should proceed in getting the necessary signatures for the EDF.

All of these problems occurred because of a lack of communication and understanding between DAI and the mission. Both DAI employees and the COR should have discussed the problems and coordinated with the MEO for guidance early on rather than making assumptions and going ahead with implementation. As a result, without the necessary research ahead of time, there is a higher risk of damage to the environment. In addition, without a system in place ensuring compliance with USAID environmental regulations, it is possible that other potentially harmful activities could slip through the cracks.

**Recommendation 1.** We recommend that USAID/West Bank and Gaza direct Development Alternatives International to submit the required environmental
documentation forms, pesticide evaluation report, and safe use action plan in a timely manner and do so in future activities under the Compete Project.

Recommendation 2. We recommend that USAID/West Bank and Gaza direct Development Alternatives Inc. and the contracting officer’s representative to institute an internal control system for tracking environmental compliance under the Compete Project.

Recommendation 3. We recommend that USAID/West Bank and Gaza provide training to Development Alternatives Inc. Compete Project employees on environmental compliance and document whether to expand this training mission-wide.

Project Did Not Have Gender Strategy

The mission’s gender analysis for the Compete Project states that the contractor should prepare a gender strategy and include gender-specific indicators in its performance monitoring plan (PMP) so it will not neglect women in sectors traditionally dominated by men. Automated Directives System (ADS) 201.3.11.6³ states that findings from gender analyses can help determine how gender can be addressed in a project and must be integrated into the award statement of work or program description. Additionally, ADS 203.3.8 requires gender-sensitive indicators and sex-disaggregated data when the different roles of men and women affect a project.

However, the statement of work did not explicitly include the requirement for a gender strategy. Since this requirement was not in the statement of work, DAI did not prepare a gender strategy. Moreover, the PMP had only one gender-specific indicator—which the mission added 10 months after the contract was signed. According to the mission’s program office, this was done because it was a new requirement after the mission had approved the original PMP.

As a result, the COR did not make sure that women were included, which undermines one of the primary goals of USAID programs. During site visits, beneficiaries confirmed the need to include women because they face many barriers when they try to enter certain sectors. For example, women were not able to go to a technical training in Germany because of cultural barriers against them traveling independently—resulting in a missed opportunity for training. Fortunately, the grantee independently organized a similar training just for women in the West Bank as an alternate solution. While the women ultimately received the training, a gender strategy could have addressed this need and allowed Compete to carry out such training.

Furthermore, the director of Palestinian Information Technology Association said chief executive officers in the West Bank and Gaza are almost all men, and she expects the next trade mission that Compete sponsors will consist mostly of men.

Both the contractor and COR acknowledged that gender has not been a strategic consideration in the project. However opportunities do exist, and there is still time to take advantage of them. Therefore, we make the following recommendation.

³ This version of the ADS became effective on November 5, 2009, and was in effect at the time of the award to DAI. The revised March 23, 2012, version of ADS 201 contains similar guidance.
Recommendation 4. We recommend that USAID/West Bank and Gaza direct Development Alternatives Inc. to implement a gender strategy for the Compete Project and, based on the results, include gender-sensitive indicators in its performance monitoring plan.

Project Component Lacked Indicators

According to the contract, Component B was to expand the capacity of existing business associations and business service providers, and, when needed, help establish new ones for the small and medium-sized firms supported under Component A. The mission expected DAI to monitor and track results for the following activities.

- Use business support organizations to resolve constraints to global competitiveness that specific products and services targeted by the project face.
- Use business service providers to improve such things as packaging, branding, and marketing products and services.
- Use business-to-business services for such things as accounting, transportation, and ICT.
- Improve the financial viability of business support organizations that provide services to help them compete in the global marketplace.

To carry out these activities, the project provided technical assistance and gave grants to the business service organizations. For example, Compete’s staff helped the fresh herbs industry create a trade association comprised of 23 major firms. The association adapted rules to meet international food quality standards. DAI also awarded a grant to the Palestine Information Technology Association to establish a global network of business leaders, ICT professionals, and investors; the network’s aim was to implement a 3-year strategic plan for the development of the ICT industry in West Bank and Gaza.

Contrary to the contract, the mission was not measuring the progress of these activities because it did not develop performance indicators. The COR said the mission decided not to track results of the components separately and chose instead to integrate the impact of Component B into the results of Component A that measured support of the sector value chains. Therefore, the mission did not see the need for specific indicators for Component B.

However, we found that the existing indicators for Component A were not sufficient to monitor the progress of activities in Component B. For example, DAI was providing support to critical business sectors that business associations and service providers normally would provide. DAI designed Component B to allow business associations and service providers to expand and ultimately to take over the tasks that Compete’s staff was performing. Without tracking this activity’s progress, the mission cannot determine whether the associations and service providers can sustain that level of support after Compete ends. As shown in the table on the next page, more than $37 million worth of exports would be at risk if they cannot.

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4 A value chain includes all activities required to produce a product or service and deliver it to the final customer. Value chains include activities such as production, marketing, and distribution.
### Estimated Increase in Export Value ($) From Compete’s Assistance (Unaudited)

<table>
<thead>
<tr>
<th>Increase in Value of Exports per Sector</th>
<th>Actual Export Value in Year 1</th>
<th>Estimated Export Value in Year 2</th>
<th>Estimated Export Value in Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1,077,797</td>
<td>14,370,625</td>
<td>29,100,515</td>
</tr>
<tr>
<td>Stone and Marble</td>
<td>0</td>
<td>561,910</td>
<td>2,247,638</td>
</tr>
<tr>
<td>Tourism</td>
<td>0</td>
<td>3,400,495</td>
<td>5,100,743</td>
</tr>
<tr>
<td>ICT</td>
<td>149,700</td>
<td>898,200</td>
<td>1,122,750</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,227,497</strong></td>
<td><strong>19,231,230</strong></td>
<td><strong>37,571,646</strong></td>
</tr>
</tbody>
</table>

Therefore, we make the following recommendation.

**Recommendation 5.** We recommend that USAID/West Bank and Gaza direct Development Alternatives Inc. to use performance indicators in the Compete Project’s performance monitoring and evaluation plan that measure results toward improving the capacity of the business associations and service providers critical to the four sectors.
EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/West Bank and Gaza agreed with all five recommendations. We have acknowledged management decisions on all recommendations, and final action was taken on Recommendations 2, 3, and 5. A detailed evaluation of management comments follows.

Recommendation 1. The mission stated that the environmental documentation forms were submitted and approved on October 18, 2012, and March 11, 2013. The mission stated also that the PERSUAP will be submitted by August 1, 2013. Based on the mission’s actions and supporting documentation provided, we acknowledge that the mission made a management decision. Final action will be taken when the mission receives and approves the PERSUAP.

Recommendation 2. The mission directed DAI to institute an internal control system for tracking environmental compliance. Based on the mission’s actions and supporting documentation provided, we acknowledge that the mission made a management decision and final action has been taken on this recommendation.

Recommendation 3. The mission trained Compete Project employees on environmental compliance on February 6, 2013, and determined that it will conduct mission-wide environmental compliance training. Based on the mission’s actions and supporting documentation provided, we acknowledge that the mission made a management decision and final action has been taken on this recommendation.

Recommendation 4. The mission stated that it will amend the PMP to incorporate gender-sensitive indicators by November 30, 2013. Based on the mission’s supporting documentation and action plan, we acknowledge that a management decision has been reached. Final action will be taken when the mission incorporates gender-sensitive indicators in the PMP.

Recommendation 5. The mission added four indicators to the PMP:

1. Number of new services provided by targeted business service providers and business service organizations to targeted sectors by the project.

2. Percentage increase in number of firms that received services from business service organizations and business service providers.

3. Percentage increase in revenues of business service organizations from new services delivered to their members as a result of USG [U.S. Government] assistance.

4. Number of private sector organizations and private sector service providers receiving USG assistance.

Based on the mission’s actions and supporting documentation, we acknowledge that the mission made a management decision and final action has been taken on this recommendation.
SCOPE AND METHODOLOGY

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards. They require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/West Bank and Gaza’s Compete Project was achieving its goal of improving small and medium-sized Palestinian firms’ access to the global economy. On January 3, 2012, the mission awarded DAI a 3-year, $35 million contract with a 2-year, $23 million option period. As of March 13, 2013, the mission had obligated $26 million and disbursed $6 million. Because this was a performance audit that looked at project implementation rather than specific financial transactions, the team did not audit the disbursements.

The audit covered the period from when the project started on January 3, 2012, to March 27, 2013. In planning and performing the audit, we assessed management controls related to documentation and data verification; reporting; supervisory and management review of project processes and activities; the project’s PMP and evaluation plan; and establishment and review of performance measures and indicators. We assessed the following significant controls: the project’s performance monitoring, evaluation, and annual work plans; data quality assessments; COR files; quarterly and annual reports; and DAI’s contract, including modifications.

We conducted fieldwork from January 15, 2013, to March 27, 2013, at USAID/West Bank and Gaza in Tel Aviv and at DAI’s office in Ramallah. We visited ten project activities throughout the West Bank.

Methodology

To answer the audit objective, we first identified the project’s main goals and significant risks. We met with key personnel at the mission and DAI, and reviewed relevant documentation that they provided. We also reviewed the terms of the contract and applicable policies and procedures. We gained an understanding of the project design and of how USAID planned to monitor and measure the results.

We reviewed USAID/West Bank and Gaza’s and DAI’s compliance with Executive Order 13224 and with USAID/West Bank and Gaza Mission Order No. 21 through sample testing. We selected the sample from the four sectors using both the random number sampling feature in Excel and judgmental selection. Our antiterrorism compliance testing included reviews of relevant documentation, like USAID/West Bank and Gaza’s contract with DAI, and eligibility notifications for trainees, subawardees, and grantees. We tested a sample of organizations and individuals to verify that the mission vetted institutions, trainees, and key subcontractor personnel to verify that they met the antiterrorism criteria. We did not use the testing results to
project to the intended population. We also interviewed the USAID/West Bank and Gaza vetting specialist and the DAI compliance manager.

To verify reported results, we used a combination of judgmental and random sampling to select eight indicators tracked in USAID/West Bank and Gaza’s reporting system for testing. We traced reported results for the sample indicators to DAI’s relevant documents of the project for FY 2012, including beneficiary lists, attendance sheets, and surveys. Based on tests performed, we consider the data reliable.

During site visits, we verified the existence of reported deliverables and the compliance of the project site with USAID branding requirements. We interviewed beneficiaries to gain an understanding of whether the project met their needs and of their experiences in working with DAI and USAID. We also observed and discussed the quality of training, workshops, and equipment. Last, we asked beneficiaries whether they were aware of the source of project funding.
USAID West Bank and Gaza wishes to thank the Regional Inspector General/Cairo for conducting the referenced performance audit of the Enterprise Development for Global Competitiveness Project (Compete). The subject draft audit report has been thoroughly reviewed by the Private Enterprise Office (PEO) in collaboration with other offices in the Mission.

The Mission appreciates this opportunity to comment on the draft audit report and the five recommendations therein as the RIG prepares the final report. The following are the Mission’s comments on each of the five recommendations.

**Recommendation No. 1:**

*We recommend that USAID/West Bank and Gaza direct DAI to submit the required Environmental Documentation forms, Pesticide Evaluation Report, and Safe Use Action Plan in a timely manner, and should do so in future activities under the Compete Project.*

**Response:**

The two required Environmental Documentation Forms were submitted and approved by the Mission Environmental Officer (MEO) on October 18, 2012 and March 11, 2013, respectively. Development Alternatives Inc. (DAI) is completing the Pesticide Evaluation Report and Safe Use Action Plan (PERSUAP), and will submit it to the Mission by August 1, 2013. The contracting officer’s representative (COR) worked with DAI to implement an internal control system to ensure future compliance in the
submission of these forms, which is discussed further in the Mission’s response to recommendation number two.

**Recommendation No. 2:**

*We recommend that USAID/West Bank and Gaza direct Development Alternatives Inc. and the contracting officer’s representative to institute an internal control system for tracking environmental compliance under the Compete Project.*

**Response:**

On March 18, 2013, the COR worked with DAI to develop and implement an internal control system for tracking environmental compliance under the Compete Project. The system tracks and ensures timely submission of Environmental Documentation Forms. The system was implemented on April 1, 2013. Prior to initiating any activity, DAI now completes a checklist that documents the status of environmental compliance requirements, among other items, and sends an action memo to the COR for approval. For activities without environmental requirements, the COR may approve the activity. If there are environmental requirements, then DAI may not begin work on the activity until after the environmental requirements are met and approved by the MEO and COR.

**Recommendation No. 3:**

*We recommend that USAID/West Bank and Gaza provide training to Development Alternatives Inc. Compete Project employees on environmental compliance and document whether to expand this training mission-wide.*

**Response:**

The MEO met with Compete Project employees to train them on environmental compliance requirements on February 6, 2013. At the training, the MEO went over the environmental requirements for the entire Compete portfolio. Additional training will be provided through phone calls, site visits, and meetings, as needed, for new and continuing activities. The Mission has determined that it will conduct Mission-wide environmental compliance training for all AORs and CORs. The training will be provided by the Regional Environmental Advisor (REA) in October 2013 or by the Mission Environmental Officer by the end of CY 2013 in the event the REA’s visit is postponed or cancelled.

**Recommendation No. 4:**

*We recommend that USAID/West Bank and Gaza direct Development Alternatives Inc. to implement a gender strategy for the Compete Project and, based on the results, include gender-sensitive indicators in its performance monitoring plan.*

**Response:**
The COR will instruct DAI to develop a gender strategy to guide the implementation of the Compete project. The COR will work with the Compete Project to realign the project’s third year work plan to address the results of this strategy and reflect the realignment in the Performance Management Plan (PMP). The final draft of the third year work plan and PMP (aligned with the gender strategy) are expected to be submitted by DAI by November 30, 2013.

**Recommendation No. 5:**

*We recommend that USAID/West Bank and Gaza direct Development Alternatives Inc. to use performance indicators in the Compete Project’s performance monitoring and evaluation plan that measure results toward improving the capacity of the business associations and service providers critical to the four sectors.*

**Response:**

On April 29, 2013, the COR, in consultations with DAI, added the following four indicators to Compete’s PMP in order to better track results under Component B of the project:

5. Number of new services provided by targeted business service providers and business service organizations to targeted sectors by the project.

6. Percentage increase in number of firms that received services from business service organizations and business service providers.

7. Percentage increase in revenues of business service organizations from new services delivered to their members as a result of USG assistance.

8. Number of private sector organizations and private sector service providers receiving USG assistance.

DAI will report progress against these indicators starting on July 1, 2013, and results will be available for USAID’s review on November 1, 2013 as part of Compete’s annual report.