

Action Fiche

1. ARTICLE IDENTIFICATION

Title	Additional contribution to the Temporary International Mechanism		
Total cost	€85 million maximum (EC Contribution)		
Aid Method	Project approach – Centralised Management		
DAC-code	72010	Sector	Emergency/distress relief

2. DESCRIPTION

2.1. Objectives

The Temporary International Mechanism (TIM) is a European system co-managed by the World Bank (Window 1), Member States and the Commission (Windows 2 and 3). The three windows cover: (1) the direct payment of running costs and supplies for health, education and social services (2) payment of invoices for fuel and other essential utilities and (3) the provision of social allowances to Palestinians.

Window 1- Emergency Services Support Project: The objective is to mitigate the deterioration of essential services resulting from the ongoing conflict and the consequent economic and political crises by contributing to the provision of essential supplies and running costs in the areas of health, education, social services, electricity, water and sanitation.

Window 2- Interim Emergency Relief Contribution: Window 2 is only funded by the EC. The objective is to contribute to the continued provision of essential utilities and services that have a direct impact on the well-being of the Palestinian population.

Window 3- Payment of Social allowances: The objective is to mitigate the deteriorating conditions resulting from the ongoing conflict and the subsequent economic and political crisis. This is being achieved by injecting liquidity into the economy via the direct payment of social allowances to eligible individuals.

Since June 2006, the Commission has allocated €15 million to TIM-Window I, €20 million to TIM-Window 2, and €235.5 million to TIM-Window 3.

EU Member States have been contributing to Windows 1 and 3 since the beginning of the TIM. Window 1 has received allocations amounting to date to €7.6 million plus contributions from Norway and Switzerland totalling €4.1 million. Contributions from Member States to Window III have reached €3.9 million while Norway has also contributed to this Window with €0.95 million and Canada with €0.6 million.

2.2. Expected results and main activities

The TIM will continue to ensure a direct impact on the lives of the Palestinian people by contributing to the continued provision of essential public utilities and services and by injecting money into the economy through the payment of social allowances. The present contribution covers Windows 2 and 3 of the TIM.

Window 1 of the TIM is implemented by the World Bank through a Trust Fund, the Emergency Services Support Programme. A project unit has been established in the Office of the President for coordination and implementation of activities.

For Windows 2 and 3 of the TIM, a payment mechanism has been established which consists of EC and donor bank accounts. A Management Unit, staffed by EC officials and Member States experts, is in charge of the management in close co-ordination with the Consultative Group and with the President's Office. President's Office staff, supported with technical assistance, contributes to the implementation of the mechanism to ensure effective and efficient provision of information to the Management Unit.

The EC assumes responsibility for the Management Unit with Member States and other donors contributing staff and financial resources. The Management Unit liaises with the President's Office, or other authorised bodies, depending upon the political situation, to determine eligible expenditures; to organise and manage the process of validation, certification, audit and payments; and is responsible for validating payments to be made by individual donors; and chairs the Consultative Group.

The Consultative Group consists of representatives of the Quartet, contributing donors, the World Bank and the IMF. The Management Unit reports regularly to contributing donors and informs the Consultative Group on the implementation of the fund.

2.3. Stakeholders

The direct beneficiary of the action is the Palestinian population.

The other main stakeholder will be the Palestinian Authority represented by the Ministry of Finance (MoF) or other authorised body. Following the creation of a National Unity Government, the Office of the President has designated the Ministry of Finance as TIM's interlocutor, which can continue under the emergency government.

All donors that are supporting the TIM are also key stakeholders.

2.4. Risks and assumptions

The TIM has been operating effectively for over sixteen months in cooperation with the Office of the President and the Ministry of Finance. This cooperation needs to be maintained.

The TIM should continue to support Palestinian populations both in the Gaza Strip and in the West Bank. However, there are increased risks faced in implementing of

the TIM in Gaza, due to greater uncertainty over governance of the Strip, particularly since June 2007.

2.5. Conditionalities

Given that this is essentially an emergency support operation there are no specific conditions.

3. IMPLEMENTATION ISSUES

TIM-Windows 2 and 3 will continue to be implemented through centralised management by the TIM Management Unit. This Unit is in charge of the management and the implementation of the funds, in close co-ordination with the Ministry of Finance or other authorised body. The EC assumes responsibility for the Management Unit with Member States and other donors contributing staff and financial resources. The Management Unit liaises with the Ministry of Finance, President's Office, or other authorised bodies, depending upon the political situation, to determine eligible expenditures; to organise and manage the process of validation, certification, audit and payments; and is responsible for validating payments to be made by individual donors.

The detailed implementation method including appropriate auditing and control provisions are applied to these two Windows, which have been put in place in coordination with Member States, other donors and International Financial Institutions. The present contribution covers Windows 2 and 3 of the TIM, for which a payment mechanism has been established consisting of EC and donor bank accounts. EC payments will be made in full compliance with EC procedures and regulations and made directly to pre-selected end-beneficiaries through the local banking system.

Respective Financing Agreements and Memoranda of Understanding have been signed with the Office of the President of the Palestinian Authority to implement the contributions for each of the Windows. Each new contribution to any of the Windows will be communicated to the appropriate body through an exchange of letters.

3.1. Budget and calendar

The maximum contribution under this decision is €85 million indicatively distributed as follows:

TIM- Window 2: €1 million

TIM- Window 3: €74 million

The present contribution will cover the needs of Window 2 until the end of the year, and the needs for Window 3 between November 2007 and January 2008.

TIM's mandate will be reviewed by Member States in consultation with the Quartet by the end of December.

3.2. Procurement and award of grants procedures

All contracts implementing the action will be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. Full financing can be applied in the cases provided for in Article 253 of the Implementing Rules of the Financial Regulation where financing in full is essential to carry out the action in question.

For activities implemented through an international organisation, all contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the international organisation concerned and in conformity with the relevant Community legislation.

The West Bank and Gaza are territories facing a crisis, as defined in Article 168(2) of the Implementing Rules of the Financial Regulation. As a result negotiated contracting procedures or grant direct award may be used when necessary.

3.3. Performance monitoring

Commission services will be responsible for the day to day monitoring of Windows 2 and 3 of the TIM in close coordination with other donors. The Consultative Group will also monitor and provide advice on implementation on the basis of information provided by the Management Unit.

3.4. Evaluation and audit

An evaluation of TIM activities to analyse the impact, effectiveness, efficiency and relevance of the operation has been completed.

For TIM- Windows 2 and 3, as well as audits of eligible expenditures to identify and validate payments, the Management Unit will organise a general ex-post audit of the programme in accordance with international standards with a view to providing the maximum level of assurance. Donors as well as members of the Consultative Group will be invited to participate. In addition, contributing donors may carry out ex-post audits of expenditures covered by their payments.

Funds for evaluation and audit have been secured through other financing decisions from the EC budget.