

Action Fiche

1. ARTICLE IDENTIFICATION

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| Title | Additional contribution to the Temporary International Mechanism | | |
| Total cost | €90 million maximum (EC Contribution) | | |
| Aid Method | Project approach – Centralised Management €85 million - Joint management with an international organisation €5 million | | |
| 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 €10 million to TIM-Window I, €7 million to TIM-Window 2, and €185.5 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 €37.6 million plus contributions from Norway and Switzerland totalling €4.1 million. Contributions from Member States to Window III have reached €33.9 million while Norway has also contributed to this Window with €5.95 million.

2.2. Expected results and main activities

The TIM should 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 direct payment of social allowances. The present contribution covers the three Windows 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 beneficiaries are identified through a system based on strict and objective criteria set by the European Commission and based upon requests and information provided by the Office of the President of the Palestinian Authority. In addition, the scheme meets the highest transparency and accountability criteria as required by the Quartet and other donors contributing to the mechanism.

The Office of the President is the interface and a key partner in the implementation of all three Windows of the TIM; the Office of the President benefits from capacity building to strengthen its role. All donors that are supporting the mechanism are also key stakeholders. 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.

2.4. Risks and assumptions

The mechanism has been operating effectively for over eleven months in cooperation with the Office of the President who has been acting as the interface for the project.

This cooperation with the Office of the President or with the Ministry of Finance, as confirmed by the 20 June letter of PM Fayyad to Commissioner Ferrero-Waldner, 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 of the functioning of the TIM in Gaza, due to greater uncertainty over governance of the Strip.

2.5. Conditionalities

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

2.6. Crosscutting issues

Good governance principles are applied in the implementation mechanisms.

3. IMPLEMENTATION ISSUES

Window 1 will continue to be implemented through the World Bank ESSP Trust Fund. An Administrative Agreement will be established with the World Bank in accordance with the provisions of the trust fund framework agreement concluded between the Commission and the World Bank.

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 Office of the President/Ministry of Finance. The EC is responsible for the Management Unit in co-ordination with other donors and international organisations. The Management Unit organises and manages the process of validation, control, payment and audit.

This decision includes an allocation to provide technical assistance to implement Windows 2 and 3 of the TIM as funds available through other financing decisions are virtually exhausted.

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 will be used when necessary.

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

3.1. Budget and calendar

The maximum contribution to the TIM under this decision is €90 million, indicatively distributed as follows:

TIM-Window 1: €5 million

TIM- Window 2: €33 million

TIM- Window 3: €50 million

TIM - Windows 2 and 3: €2 million for centralised technical assistance

The present contribution will cover the needs for all three Windows of the TIM at least for the duration of its current mandate, i.e. until the end of September 2007.

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

3.2. Procurement and award of grants procedures

All contracts implementing the action must 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 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 World Bank will provide information on the progress and results of its activities under Window 1. 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 is currently being carried out.

For Window 1, financial audit and control provisions of the ESSP Trust Fund shall be subject to World Bank procedures in accordance with the standard provisions of the Administrative Agreement.

For 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.