

# Action Fiche

## 1. ARTICLE IDENTIFICATION

Title	Additional contribution to the Temporary International Mechanism – Windows 2 and 3		
Total cost	€25 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.

This project covers the two components managed by the EC and Member States: Windows 2 and 3.

Window 2- Interim Emergency Relief Contribution III: 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 €75 million to TIM-Window 2, and €172.5 million to TIM-Window 3.

EU Member States have been contributing to the Window 3 since the beginning of the TIM with an allocation which amounts to date to €99.5 million. Norway has also contributed to this Window with €5.95 million.

To date, EU MS have pledged €25 million in contributions to Window III: it is expected that Germany will contribute €20 million and UK €5 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.

Under 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. Following the formation of a Palestinian Unity Government, and in agreement with the Office of the President, this co-ordination mechanism could be reviewed and a greater role could be given to other authorised institutions, like the Palestinian Ministry of Finance. Such an evolution will depend upon political developments.

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 concerning eligible expenditures; organises and manages the process of validation, certification, audit and payments; 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 currently the interface and a key partner in the implementation of the project; the Office of the President benefits from capacity building to strengthen its role. All donors that are supporting the mechanism are also key stakeholders.

### **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 other institution entitled to play this role needs to be maintained.

## **2.5. Conditionalities**

Given 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**

Both components (Windows 2 and 3) will continue to be implemented through centralised management.

Under the programme, a Management Unit comprised of EC officials and Member States experts and consultants, has been created. This Unit is in charge of the management and the implementation of the funds, in close co-ordination with the Office of the President. 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.

The funds allocated for operational support, technical assistance, capacity building, monitoring, evaluation and audit have already been secured through other financing decisions from the EC budget and through other donors.

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 to implement the contributions for each of the Windows. Each new contribution to any of the two Windows will be communicated to the OoP through an exchange of letters.

### **3.1. Budget and calendar**

The maximum contribution to the Windows 2 and 3 of the TIM under this decision is €25 million, indicatively distributed as follows:

TIM- Window 2: €12 million

TIM- Window 3: €13 million

As an indication, €25million cover approximately the needs of one month under Window III.

TIM's mandate will be reviewed by Member States in consultation with the Quartet by the end of June 2007.

### **3.2. Procurement and award of grants procedures**

There are no procurement or grant actions envisaged under this decision.

### **3.3. Performance monitoring**

Commission services will be responsible for the day to day monitoring of the programme 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 operations has been launched and will be finalised shortly.

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.