**PROJECT FICHE**

<table>
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<th>Title</th>
<th>Contribution to the Temporary International Mechanism - Window 3: Payment of social allowances to the vulnerable</th>
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<td>Total cost</td>
<td>€35 million maximum (EC Contribution)</td>
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<td>Aid Method</td>
<td>Project approach – Centralised Management</td>
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<td>DAC-code</td>
<td>72010</td>
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1. **DESCRIPTION**

1.1. **Objectives**

The objective of TIM (Window 3 – Payment of Social allowances) is to mitigate the deteriorating conditions resulting from the ongoing conflict and its consequent economic and political crisis. This is being achieved by injecting liquidity into the economy via the payment of social allowances to individuals.

The Commission through earlier decisions is providing € 54.5 million of support via TIM window III with a further € 3 million to be decided in the near future. Member States are also contributing € 51.4 million with Norway contributing € 3 million. Payments of social allowances began in coordination with the President’s office in August and by the end of November 2006 over € 90 million will have been disbursed. A further payment in December will utilise the remaining funds.

1.2. **Expected results and main activities**

The mechanism is having a quick impact on the lives of the Palestinian people by ensuring that essential services can continue to be delivered and by injecting money into the economy.

Under the TIM, a fund has been established which consists of a series of donor bank accounts. A Management Unit is in charge of the management and the implementation of the fund, in close co-ordination with the Consultative Group and with the President’s Office. President’s Office staff, supported with technical assistance, has been allocated to support 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 although Member States and other donors are contributing staff and financial resources. The Management 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. The Consultative Group, on the basis of information and analyses provided by the Management Unit, offers advice on the further implementation of the TIM.

1.3. **Stakeholders**

The direct beneficiary of the action is the Palestinian population. The beneficiaries have been identified through a system based on strict and objective criteria set by the European Commission and drawing on the former's government social allowances programme. Eligibility criteria (needs assessment, possession of an ID card) as well as exclusion criteria (other sources of income) are applied. 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 of the Palestinian Authority is the sole interface and a key partner in the implementation of the project and benefits from capacity building to strengthen its role. All donors that are supporting the mechanism are also key stakeholders.

1.4. **Risks and assumptions**

The mechanism has been operating effectively for over four months in cooperation with the President’s Office who has been acting as the sole interface between donors and the Palestinian Authority administration. This cooperation needs to be maintained.

1.5. **Conditionalities**

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

1.6. **Crosscutting issues**

Good governance principles are applied in the implementation mechanisms.

2. **IMPLEMENTATION ISSUES**

A Memorandum of Understanding has been signed with the Office of the President of the Palestinian Authority in order to implement contributions to the TIM-Window 3. The total amount of the action will be transferred to the TIM-MU Imprest Account immediately following the Commission decision. Centralised management is applied for all operations under this programme. All payments are being made directly to beneficiaries through an international bank and no Community money is transiting via the PA government.

Under the programme a Management Unit has been created which 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 will organise and manage the process of validation, control, payment and audit.
The funds required to ensure 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.

2.1. **Budget and calendar**

The maximum contribution to the TIM – Window 3 under this decision is €35 million, fully allocated to social allowances.

The operation duration of the project will be a maximum of 3 months. The continuation of the TIM will be reviewed in consultation with the Quartet before the end of March 2007.

2.2. **Procurement and award of grants procedures**

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

2.3. **Performance monitoring**

Commission services will be responsible for 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.

2.4. **Evaluation and audit**

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.