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| ANNEX C1: Twinning Fiche **Project title:** Strengthening the Capacity of the Palestinian Authority to Improve Customs Revenue Collection and Borders Crossings Control.  **Beneficiary administrations**:  - Ministry of Finance and Planning (MoFP) / General Directorate of Customs, Excises and Value Added Tax (Customs Department)  - General Administration of Borders and Crossings (GABC)  **Twinning Reference:** PS 17 ENI FI 01 18  **Publication notice reference:** EuropeAid/161627/DD/ACT/PS |

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| **EU funded project**  ***TWINNING INSTRUMENT*** |

**1. Basic Information**

1.1 Programme: ENI/2017/40195 "Towards a democratic and accountable Palestinian State", Direct Management.

For British applicants: Please be aware that eligibility criteria must be complied with for the entire duration of the grant. If the United Kingdom withdraws from the EU during the grant period without concluding an agreement with the EU ensuring in particular that British applicants continue to be eligible, you will cease to receive EU funding (while continuing, where possible, to participate) or be required to leave the project on the basis of Article 12.2 of the General Conditions1 to the grant agreement.

1.2 Twinning Sector: Finance, Internal Market and Economic Criteria

**2. Objectives**

**2.1** Overall Objective(s):

The overall objective is to improve the Palestinian Authority (PA) fiscal position through improving collection of customs revenues and strengthening borders control in order to reduce evasion of customs duties.

2.2 Specific objective:

The twinning project aims to achieve two specific objectives:

1. To enhance the PA's capacity to conduct effective controls of goods based on the information provided by the travellers and on the related commercial documents in order to protect the customs revenue at the borders. This specific objective will involve GABC in charge of managing the borders.

2. To strengthen the PA's capacity to improve customs collection and implement post clearance audit procedures in accordance with international standards and in the specific field of the undervaluation of the imported goods, correct application of rules of origin and tariff regulations. This specific objective will involve the General Directorate of Customs, Excises and VAT within MoFP.

2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans

The need to improve the PA's fiscal position by ensuring sustainability represents a crucial priority, as acknowledged both in the **Palestinian National Policy Agenda 2017-2022**[[1]](#footnote-1) and in the **European Joint Strategy in Support of Palestine 2017-2020**[[2]](#footnote-2).

In line with the strategic objectives of the co-operation between the Palestinian Authority and the EU, the overarching rationale of the proposed intervention is to maintain the viability of the two-State solution and to support the Palestinian Authority's state-building activities as stated in the **European Neighbourhood Instrument ENI – Annual Action Programme 2017 for Palestine**[[3]](#footnote-3) "Towards a democratic and accountable Palestinian State". The project responds to institution building efforts undertaken by the MoFP to implement the Public Financial Management Sector Strategy and related reforms. The intervention logic of the twinning project is to improve PA's institutions' capacity on customs revenue collection and borders control through peer-to-peer support provided by EU Member State public officials to their counterparts.

On the other hand, the project contributes to national priorities stipulated by the PA in the **National Strategy and Action Plan for the General Directorate of Customs, Excise and VAT for 2017-2019**. Improving customs and indirect tax revenues is identified as a strategic goal with the objectives to combat tax evasion, smuggling and commercial fraud and adopt international standards and best practices.

Also, the project responds to the **National Strategy for Integrated Border Management, 2016-2020** set by GABC, which aims to develop and strengthen the PA's legal institutional and technical capacity for alignment with EU and international policies and strategies on border management, providing the legitimate free movement of people and goods, preventing cross-border crimes and protecting public health, while respecting and protecting human rights and freedoms.

**3. Description**

3.1 Background and justification:

The development of Palestine has been marked by the ongoing Palestinian-Israeli conflict, as well as by the disruption of fifty years of occupation and the progressive fragmentation of its territory, including the illegal annexation of East Jerusalem. Regular cycles of violence and wars have led, amongst others, to the construction of an illegal separation barrier beyond the 1967 border since 2002. The movement restrictions imposed by Israel on the Gaza Strip since the early 1990s intensified in June 2007 with its closure and imposition of the land, air and sea blockade.

The Oslo Accords, under which the Palestinian Authority (PA) was created in 1994, were intended to lead to a final negotiated settlement between the parties. Nearly twenty five years after, the PA, which has operated as a transitional authority with limited jurisdiction since its creation, has full civil and security authority only in 18% of the West Bank.

The Palestinian Authority fiscal position suffers a financing gap of USD 498 million (Ministry of Finance and Planning, April 2018), corresponding to 4.8% of GDP, despite a net revenue increase of 9% in 2017. Restrictions on trade, movement of goods and people and access to resources, along with a decade long blockade of Gaza have hollowed out the productive base in the West Bank and in Gaza. The economy is import dependent with imports over three times the size of exports and a trade deficit close to 40% of the GDP. Growth in real GDP slowed to 2% on average between 2013 and 2016, and dropped to a mere 0.7% in early 2017. Over the medium term, GDP growth is forecasted to hover at around 3% annually, too low to remedy economic imbalances and meaningfully improve living standards considering the elevated birth rate. In parallel, budget support from donors has continued to decline: as a share of GDP, budget support has fallen from 32% in 2008 to about 5% in 2017. Additional decline in donor budget support seriously risks jeopardising an already fragile economy and further broadening the financing gap.

The budget deficit continues as tax revenues failed to increase to offset expenditures. The PA continues to encounter fiscal losses under the current framework of a 'Customs and Monetary' union with Israel, as regulated by the Paris Protocol for movement and access and other concerned agreements. PA authorities have limited control over the tariff policy and importation of the goods destined to Palestinian territories. This is due to the fact that customs’ clearance procedures, including the collection of the customs revenues, are conducted at Israeli borders by Government of Israel, applying the Israeli legislation in force. The revenues collected are periodically transferred to the PA budget, applying a reduction of 3% as service fees.

The inability of PA to undertake proper controls before the goods are cleared and released for consumption, presents vulnerability to a number of potential risks that can undermine a correct revenue collection process. The main risks are related to the undervaluation of the imported goods, the infringement of the rules of origin along with incorrect declaration of goods quantity and tariff codes, thus creating significant tax evasion and sensible reduction of the PA incomes. According to the World Bank 2016 report, the quantified annual loss as a result of the current revenue arrangements amounts to USD285 million, or 2.2 percent of Palestinian GDP (excluding revenues collected by the Government of Israel in Area C). The revenue loss from the undervaluation of Palestinian imports from third countries is estimated at USD53 million[[4]](#footnote-4). Therefore, revenue recovery through post clearance audit (PCA) is a core priority for Palestinian customs.

**The General Directorate of Customs, Excises and VAT** is part of the Ministry of Finance and Planning. The Palestinian Customs acts according to the Jordanian customs law No:1 for the year 1962 "Customs and Excise Law", the tasks and the role of the Customs and the procedures adopted are established by the laws and agreements stated in Annex II. The current legislation allows the Palestinian Customs to perform the basic customs clearance processes. That said, the legislation is not in line with modern concepts.

The Palestinian Customs is a member of the World Customs Organization (WCO) since 2015. It is responsible for collecting the domestic and local revenues, undertaking post clearance audit and collecting duties deficit resulting from the revaluation process. The Directorate include nine departments dealing with specific customs matters as indicated in ANNEX IV.

In the year 2007 the Palestinian Customs began implementing post clearance audits (PCA) on Palestinian importers: However, the capacity of the PA Customs Department to undertake PCA is still limited. In addition to the weak legal framework, challenges remain with regard to a weak control system at the governorate level and the inadequacy of qualified staff to respond to the development needs of the customs and tax system.

The main areas involved in the Post Clearance Audit process are the following:

* Trade of goods imported by Palestinian importers from third Countries and cleared by the Israeli customs offices;
* Trade of goods covered by the tariff benefits from the application of rules of origin;
* Under-evaluation of the imported goods;
* Indirect importation (goods imported from third Countries by Israeli importers and sold to Palestinian traders as goods of Israeli origin. In this case, Israel is collecting and retaining relevant customs duties and taxes, while PA is only eligible for VAT.

**The General Administration for Border Crossings** is a financially and administratively independent institution, responsible for financial, administrative, security and commercial aspects of border’s services. GABC operates as an "umbrella" organisation for the different authorities dealing with borders control and border surveillance, ensuring the application of the relevant laws and regulations. GABC is the administration in charge of the management of the Palestinian Borders and crossings according to the Oslo Agreement and the Paris Protocol on Economic Relations, which resulted in the following operational system for the international points of entry in the West Bank and Gaza Strip.

* Entry point of the Jordan River[[5]](#footnote-5) (Al Karamah Terminal) is under the supervision and de-facto control the Israeli authorities and GABC.
* Entry point of the Gaza Strip (Rafah Crossing Point 'RCP') with Egypt; this is an international border managed by GABC since November 2017[[6]](#footnote-6).

As such, the customs procedures on the goods entering and exiting the Palestinian territory are carried out by Israeli Customs officers with the exception of Al Karamah Terminal and Rafah Crossing Point. Currently the goods are not imported/exported through Al Karamah Terminal, but when the containerization project with Jordan becomes operational, GABC shall be involved in the importing and exporting procedures.

GABC is facing a number of important challenges that need to be addressed, mainly; fragmented legal frameworks, lack of defining and implementing clear border policies and plans, poor coordination both at national, regional and international level, limited capacity in preventing and detecting border threats and transnational crimes and limited skills of staff in related border issues.

Under current prevailing political and economic conditions, the objectives of the project should be achieved through interventions aimed at introducing reforms that fall under the Palestinian competence and capability by increasing the capacity of both the Customs Department and GABC in performing effective controls.

3.2 Ongoing reforms:

The PA has made some progress on Public Financial Management (PFM) and anti-corruption reforms. Improvements were introduced in some areas, of which are the comprehensiveness and transparency of budget, financial controlling and auditing. Since the last Public Expenditure Financial Assessment (PEFA), conducted in 2013, the Ministry of Finance and Planning (MoFP) improved both the downstream and upstream cycle of the budget. A PFM Strategy was approved by the Cabinet in July 2017. It is set to provide the PA with a framework for reforms contributing to improved transparency and sustainability of public expenditures and effectiveness and efficiency of public revenues collection. However, no Action Plan is available as yet and further PFM reforms are urgently needed to cut expenditure in a social sound manner and raise revenue as tax revenues remain substantially below potential.

Since 2008, the EU has been supporting the PA's national reform agenda with interventions aligned to subsequent planning cycles. European Joint Strategy in Support of Palestine 2017-2020 identifies PFM reforms as one of the main priorities for EU and Member States’ development cooperation. The MoFP's Customs Department and GABC will benefit from the twinning instrument with a view to support the implementation of the PFM reform efforts in, institutionalizing and integrating customs and tax activities and preventing tax evasion, reviewing and introducing amendment to customs laws and legislations and developing partnerships at regional and international levels.

3.3 Linked activities:

The twinning project will be implemented in close cooperation with ongoing interventions to ensure synergy and no overlaps with ongoing activities/projects.

* **The Office of the European Union Representative (EUREP)**

EUREP has funded two projects supporting the implementation of the Asycuda information system, i.e. Asycuda phase II and III (Phase I was financed by the World Bank). Phase II, which commenced in early 2004, allowed the installation of the ASYCUDA++ prototype system in the customs headquarters in Ramallah, Gaza, and two West Bank district offices. Phase III was launched in late 2007 and supported the system's complete rollout and the transition to Asycuda World.

In addition, the EU-funded PEGASE programme of Direct Financial Assistance to the PA, first launched in 2008, has so far disbursed over EUR 2.3 billion to support the recurrent expenditure of the PA through contributions to the payment of PA civil servant's salaries and pensions, of social allowances to poor and vulnerable Palestinians families and of unpaid bills for medical referrals by the Ministry of Health to East Jerusalem hospitals. The programme's overall objective is to 'build effective and accountable institutions ready for statehood and enable inclusive social development' and the specific objective is to 'improve public services responding to citizens' needs, including those of marginalised groups'. For the first time in 2018 part of the disbursements has been conditioned to the achievement of certain reform objective negotiated with the PA on the basis of its PFM Strategy, specifically in the areas of budget transparency and payroll control.

* **EU Border Assistance Mission at Rafah Crossing Point 'EUBAM RAFAH'**

Within the context of the EU support for the Palestinian State-building process, the European Union Border Assistance Mission to the Rafah Crossing Point, EUBAM Rafah, is the main EU Partner to the Palestinian Authorities, in particular, to GABC, in regards to border management. The role of the Mission is to monitor the Palestinian Authorities’ activities, with regard to borders control and Customs’ operations and to provide assistance in developing their capacity of border management, from the perspective of a fully operative Rafah crossing point, when political and security conditions permit.

Within its mandate, the mission is assisting GABC in its capacity building processes, providing technical assistance in a number of sectors dealing with border controls and border management, including the business strategy’s implementation and the integrated border management, IBM strategy, risk analysis and risk management, border controls and investigative techniques.

In addition to delivering training, the mission is assisting the PA in drafting operative manuals and instruction on a number of fields (border controls, investigations and cooperation with the judiciary authorities). The mission is also assisting the drafting of the action plans required for the implementation of the Business strategy and the IBM strategy.

The twinning project will be implemented in close cooperation with EUBAM Rafah, avoiding overlap and ensuring synergy and complementarity.

* **Technical Assistance Information Exchange (TAIEX)**

During the period 2016-2018 GABC received a considerable support provided by European Commission TAIEX instrument, which mainly focused on risk analysis and antifraud techniques for border agencies, rules of customs origin, enhancing GABC strategic management capacity and raising awareness on IPR protection and fight against counterfeiting. TAIEX support complemented the assistance provided to GABC by EUBAM Rafah mission.

* **Other Donors**:

Besides the EU and EUBAM Rafah, the Office of the Quartet (OQ) is supporting the ongoing dialogue between the Palestinian Authority and the Government of Israel on a number of arrangements to transfer customs functions from the Israeli administration to the Palestinians, including through a plan to establish of bonded warehouses. An agreement is being drafted but not yet finalised. Once agreement is reached, the OQ will support technical and operational aspects of the transfer of customs functions. Furthermore, the OQ is providing technical assistance to the PA including assessments related to the capacity of the Customs Department, in addition to the Jordanian law and the currently ASYCUDA IT system. Some of these assessments are supported jointly with DFID.

Being a member in the World Customs Organization, Palestinian Customs has benefited from the HMRC MERCATOR program through training on tariff, rules of origin, valuation, risk management and safe framework and trade facilitation, in addition to a diagnostic mission in post clearance audit. The IMF has also provided technical assistance to MoFP/Customs department in the form of diagnostic missions and technical reports in the area of risk management. Germany has provided support to GABC mainly in provision of equipment, same for Netherlands, in addition to the containerization project implemented at entry point with Jordan.

The USAID provided support on capacity building for the MoFP and in establishing bonded warehouses, however, due to the Taylor Force Act[[7]](#footnote-7) the US is not able to provide assistance to the PA in this area anymore.

* **PA efforts:**

As stated above, in the year 2007 the Palestinian customs began implementing PCA on Palestinian importers. In 2012 three PCA centres were established (North, Middle, South) under the responsibility of the compliance department. In each centre there are 3 main sections (customs intelligence, auditing, reviewing and collecting). The compliance department through the PCA centres implements several audit forms (desktop audits, focused audits and comprehensive audits).

On the other hand, GABC has developed the Integrated Border Management Strategy and is working towards implementing an effective integrated border management system building on the EU/ international experiences and best practices and in accordance with international standards. The strategy sets out priorities to effectuate comprehensive and fundamental changes in border management, including; legislation, institutional framework, procedures, human resources and training.

In regards to PAR reform efforts, The EU had provided technical support to General Personnel Council (GPC) - the public entity responsible for the civil service development, and for improving the civil service regulatory framework in Palestine through a technical assistance (TA) project that ended in May 2016. The project focused on improving the civil service legal framework, developing modernised Human Resource Management (HRM) policies and strengthening HRM functions in PA Ministries and Agencies.

In 2018, SIGMA[[8]](#footnote-8) conducted a scoping mission to consider potential areas for future EU and SIGMA support in the area of public administration reform. SIGMA also assists with updating the conclusions and recommendations of the previous EU TA explained above, and help to identify priorities for future EU support to the GPC.

3.4 List of applicable *Union acquis*/standards/norms:

Chapter 1: Free movements of goods, Chapter 7: Intellectual Property Rights, Chapter 24: Justice Freedom and Security and Chapter 29: Customs Union.

3.5 Results per component

This twinning project will be structured around two components with five mandatory results under each component.

* **Component 1:** Strengthening the capacity of GABC to conduct effective borders control

GABC is performing its main function of managing the Palestinian borders and crossings by delegating border tasks to relevant agencies while coordinating and supervising their activities. This component will focus on developing the institutional and administrative capacity of GABC for conducting and coordinating borders control and adopting appropriate and simplified procedures in line with EU and international standards and best practices to protect customs revenue collections. This will be achieved by the following results:

**Result 1.1: One stop shop framework and procedures drafted and control processes simplified and better coordinated among stakeholders**.

The introduction of one stop control should be understood as an interim stage in the development of the Single Window, which would lead to greater efficiency in terms of reduction in border administration costs, improved coordination of control processes and simplification of administrative procedures to facilitate trade. This requires setting the administrative framework and introducing operational procedures in line with WCO principles and other international standards.

Indicators:

* Administrative framework drafted for introducing a one stop shop
* Standard operating procedures developed
* Percentage of staff representing the relevant institutions/agencies that will operate in the one stop shop trained on applying simplified control processes. Target: minimum 50%[[9]](#footnote-9)

**Result 1.2: Import and export procedures developed in line with international standards to improve borders control and facilitate trade**; through streamlining procedures and developing capacities and skills to comply with international standards.

Indicators:

* Assessment and recommendations on simplified import and export procedures against international standards delivered
* Amendments of procedures and guidelines drafted and streamlined
* Percentage of GABC staff from customs and logistics trained and gained capacity in import and export procedures in line with international standards. Target minimum 25% (20 out of 80 staff)

**Result 1.3: GABC Capacity in prevention and detection of economic crimes at the borders improved.** Enhancing the capacity of GABC to fight economic crimes (money laundering, IPR violations, smuggling, customs duties evasions) will contribute to increasing control activities in fighting frauds, tax evasion and tax avoidance. This requires developing sound understanding of the crimes elements and introducing international standards in detecting and preventing economic crimes at the borders to reduce revenue loss.

Indicators:

* Amendments of procedures and guidelines drafted and streamlined
* Percentage of GABC Staff from relevant agencies trained and gained capacity in detection and prevention of economic crimes at the borders. Target: minimum 20% (20 out of 100 staff)

**Result 1.4: Administrative framework and operational procedures developed for Inter-Agency Operational room.** There is a need for GABC to establish an inter-agency operational room among border agencies to enhance border controls and to create an effective border management system. This will strengthen exchange of information and application of risk analysis and management. The project will focus on setting the administrative framework, introducing operational procedures and developing capacities and skills to comply with international standards.

Indicators:

* Administrative framework drafted for setting up Inter-agency Operational room
* Standard operating procedures developed and streamlined among border agencies
* Percentage of GABC staff in the operational room trained and gained capacity on implementing inter-agency operational procedures. Target: 100% (estimated 20 staff)[[10]](#footnote-10)

**Result 1.5: Enhanced system for tracking and monitoring corruption cases in line with international best practices.** This would require setting a tracking system including tools and standard operating procedures aligned with EU and international best practices to identify and monitor corruption cases, in order to reduce revenue loss.

Indicators:

* Tracking system/tools for corruption cases developed.
* Percentage of staff at the GABC Internal Audit Unit, the Military Intelligence Agency and the Anti-Corruption Authority, gained knowledge and skills in tracking and monitoring corruption cases using the introduced system/tools. Target: Minimum 30% (10 out of 30 staff)
* **Component 2:** Strengthening the Palestinian customs in conducting Post Clearance Audit to increase controls and reduce irregularities and tax evasion

This component will improve the capacity of the customs officers in conducting controls and examinations at the importers premises on the commercial systems, sales contracts, financial and non-financial records, physical stocks and other assets, of the good already released for consumption as direct or indirect imports from third countries. The aim is to verify the compliance of customs revenue collected by Israel on the Palestinian importers with the Palestinian customs laws and legislations and to proceed with revenue recovery of the difference due.

**Result 2.1: Amendments to the relevant Customs Law drafted**.

As said, The Palestinian customs is acting according to the provisions of the old Jordanian law number (1) of 1962 'customs and excise law', which is not in line with modern concepts and standards. This would require assessing Legal framework against international standards and introducing and drafting amendments and updates to the law. This will be done in coordination with the Office of Quartet to avoid duplication and overlap.

Indicators:

* Amendments to the customs law drafted

**Result: 2.2: Post Clearance Audits improved and compliant with international standards strengthened.** In order to improve revenue recovery, there is a need to strengthen post clearance audit procedures and improve the capacity of the customs department in implementing post clearance audit procedures in the specific field of the undervaluation of the imported goods, correct application of rules of origin and tariff regulations. In order to achieve this result, PCA procedures and guidelines would be developed and complained with international standards and the capacity of customs officers would be improved to apply post clearance controls.

Indicators:

* Manuals and operating procedures on implementing Post Clearance Audit is developed
* Percentage of internal auditors gaining new skills on implementing PCA in compliant with the updated procedures and modern standards. Target: minimum 40% of internal auditors (25 out of 63)
* Number of PCA centres supported to introduce the updated PCA procedures. Target: 3

**Result: 2.3: Risk analysis and management system and customs intelligence enhanced.** In order to reduce customs evasion, it is a priority to improve coordination and exchange of information among customs units and external stakeholders to increase controls that will be based on risk analysis. This would require strengthening the tools and methods applied for risk analysis and management to be aligned with international standards.

Indicators:

* System/tools and techniques on risk analysis and management developed and based on assessment
* Coordination mechanisms for exchange of information developed to assess and manage risk
* Percentage of customs staff gained skills and competences in risk analysis and management. Target: 100% of staff in the risk analysis and management unit; (20 staff)

**Result 2.4: Capacity of the customs department in managing legal disputes improved.** There is a need to improve the capacity of PA customs in managing efficiently legal disputes that can arise from post clearance audit in the perspective of securing customs revenue collection.

Indicators:

* Draft amendments for the administrative framework on managing legal disputes developed.
* Manuals and standard operating procedures updated
* Percentage of relevant customs staff trained and gained capacity in managing legal disputes. Target:100% (20 staff involved in managing legal disputes)

**Result 2.5: Enhanced system for tracking and monitoring corruption cases in line with international best practices.** In order to reduce revenue loss, there is a need to set a tracking system including tools and standard operating procedures aligned with EU and international best practices to identify and monitor corruption cases.

Indicators:

* Tracking system/tools for corruption cases developed.
* Number of staff at relevant customs department gained knowledge and skills on tracking and monitoring corruption cases using the introduced system/tools. Target:8 ( 2 staff from each of the 4 units; legal unit, internal audit, compliance, customs disputes)

The proposal made by the Member State(s) should include the activities they propose to achieve the listed results in the fiche. The proposal should be detailed enough to respond adequately to the twinning project fiche. The set of proposed activities will be further developed with the twinning partners when drafting the twinning work plan, keeping in mind that the final list of activities will be decided upon with the twinning partners

3.6 **Means/input from the EU Member State Partner Administrations:**

The implementation of the project requires one Project Leader who will be responsible for supervising and coordinating the twinning project and will be supported by two Resident Twinning Advisors who will work on-site with the beneficiaries' administrations and who will be responsible for the management and implementation of the project activities. One RTA will work directly with GABC and one RTA will work directly with the Customs Department/MoFP.

3.6.1 **Profile and tasks of the Member State Project Leader (MS PL):**

* *Qualifications and skills required*:
* Minimum Degree in Management, Public Administration Economics, Law, or equivalent professional experience of 8 years in public administration.
* At least 4 years of experience in customs and borders related matters.
* High ranking official with proven contractual relation to a EU MS public administration or mandated body (see Twinning Manual 4.1.4.2)
* Fluent written and spoken English
* Previous experience in supervising projects
* *Tasks:*
* Overall management and coordination of the twinning project
* Ensure timely and effective implementation of the project and achievements of results
* Ensure efficient use of the project resources and inputs
* He/she will be responsible for the modification of the project work plan as deemed necessary during the life time of the project
* Co-chair the regular Project Steering Committee meeting with the beneficiary country Project Leaders.
* Communicate with the beneficiaries and EUD.
* Responsible for interim, quarterly and final reports
* Participation in communication and visibility activities is expected

3.6.2 **Profile and tasks of the RTA**:

Two Resident Twinning Advisors (RTA) will be appointed and both will reside in Palestine for 24 months and will work under the supervision of the MS Project Leader. One RTA will be located in the premises of GABC in Jericho and will be responsible for the direct implementation of the project component 1 ***'Strengthening the capacity of GABC to conduct effective borders control'***. The other RTA will be located in the premises of the Customs Department within MoFP in Ramallah and will be responsible for the direct implementation of the project component 2 ***'Strengthening the Palestinian customs in conducting Post Clearance Audit to increase controls and reduce irregularities and tax evasion'***.

* Qualifications and skills required for the RTA on Component 1 'Strengthening the capacity of GABC to conduct effective borders control':
* Be a civil servant or a staff member in a MS public administration or mandated body dealing with the implementation of customs policy.
* Minimum Bachelor degree in Economy, law, political science, or other fields related to the assignment or equivalent 8 years of experience in public administration;
* Minimum 4 years of experience in customs laws and procedures and border related matters;
* Previous experience in project management;
* Previous experience is managing EU funded projects will be considered an asset;
* Proficient in written and spoken English;
* Good communication skills.
* Qualifications and skills required for the RTA on Component 2 'Strengthening the Palestinian customs in conducting Post Clearance Audit to increase controls and reduce irregularities and tax evasion':
* Be a civil servant or a staff member in a MS public administration or mandated body responsible for the implementation of customs policy.
* Minimum Bachelor degree in Economy, law, political science, or other fields related to the assignment or equivalent 8 years of experience in public administration;
* Minimum 4 years of experience in customs laws and procedures;
* Previous experience in project management;
* Previous experience is managing EU funded projects will be considered an asset;
* Proficient in written and spoken English;
* Good communication skills
* Tasks:

The Two RTAs are expected to carry out the following tasks during his/her full-time working period.

* Draft the initial work plan in close cooperation with all relevant actors and based on the expected results of the project;
* Ensure timely implementation of the twinning project in the BC;
* Provide technical assistance and advice to the representatives of beneficiary administration;
* Organize all project activities, such as, workshops, study visits, trainings and internships, etc.;
* Together with the Project Leader, mobilize and supervise the short term experts;
* Coordinate all project activities and experts' inputs in the BC, including experts' reports;
* Prepare quarterly meetings and project forum meetings;
* Regularly updates the work plan and transmit project updates to the Project Steering Committee under the authority of the Member State PLs.
* Draft the quarterly progress reports to be finalized by the project leader;
* Maintain a continuous review of activities and provide regular progress reports as required to the beneficiary and keep the BC PLs informed.
* The two RTAs should ensure that they continuously coordinate on the overall implementation of project activities with regular updates.

**Project Assistant:**

Each RTA shall be supported by a full time project assistant performing general project duties and providing translation and interpretation services as necessary. Until the RTA can select and hire an assistant, the beneficiary administration makes a member of its staff available to support the RTA in daily tasks.

**RTA Counterpart:**

The Customs department and GABC will each assign RTA counterpart, who will act as a counterpart of the MS RTA and will ensure close cooperation on the day-to-day implementation of the twinning project tasks from the beneficiary side. The role of the MS RTAs and BC RTAs are complementary.

3.6.3 **Profile and tasks of short-term experts***:*

Short term experts will be made available for the implementation of the twinning project who will deliver their expertise under the overall responsibility of the Member State PL and the coordination and supervision of the RTA. Short term experts are expected to perform specific tasks/activities. The detailed expert input shall be established when setting the twinning work plan including the drafting of Terms of Reference.

* General Qualifications and Skills required of the short Term Experts:
* A university degree in a relevant subject or equivalent professional experience of 5 years linked to the specific subject;
* A minimum of three years' experience in the respective field;
* Good working knowledge of written and spoken English;
* Good communication skills

**4. Budget**

Maximum Budget available for the Grant is EUR 2 millions

**5. Implementation Arrangements**

5.1 Implementing Agency responsible for tendering, contracting and accounting:

The Office of the European Union Representative (West Bank and Gaza Strip, UNRWA) will be responsible for tendering, contracting, and accounting.

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5.2 **Institutional framework**

The Twinning project will support two beneficiaries who will coordinate and collaborate closely to ensure effective and efficient implementation of the project and achievement of results.

1. **The General Administration of Borders and Crossings (GABC)** will be responsible for the implementation of the project component 1. Since GABC, operates as an "umbrella" organization for the different authorities dealing with borders control and border surveillance. GABC institutionally relates to other concerned Palestinian Ministries and Services and it refers directly to the President of the Palestinian National Authority. The authorities operating under GABC coordination are the following: Border Police, Customs, Customs Police, Intelligence Services and Civil Affairs. These Border Agencies are also supported by their line ministries, particularly the Ministries of Interior, Finance, National Security and Civilian Affairs and cooperate with other public institutions whose competence can be of relevance, such as Agriculture, Health, Trade and Economy and Tourism.

2. **The General Directorate of Customs, Excises and VAT** within Ministry of Finance and Planning will be responsible for the implementation of the project component 2. As mentioned in section 3, the key role performed by the Palestinian Customs is collecting the domestic and local revenues, undertaking post clearance audit and collecting duties deficit resulting from the revaluation process. The customs department within MoFP deal with customs matters (rules of origin, valuation, post clearance audit, tariff and risk analysis). The customs personnel within GABC are seconded by MoFP. The Head of Customs Service within GABC is responsible for managing and supervising the seconded customs personnel and reports to both the General Administration of Customs within MoFP and the Head of GABC.

The Customs department and GABC will each assign Project Leader (BC PL) who will act as the counterpart of the MS PL and will ensure close cooperation in the overall steering, co-ordination and management of the project from the beneficiary side. He/she will support the Twinning project team in organizational and technical matters and will coordinate the Project Steering Committee (PSC) on behalf of the BC.

5.3 **Counterparts in the Beneficiary administration**:

*The PL and RTA counterparts will be staff of the Beneficiary administration and will be actively involved in the management and coordination of the project.*

**GABC**

5.3.1 PL counterpart for GABC

Mr. Nazmi Mhanna

General Director of the General Administration of Borders and Crossings

Jericho, West Bank

5.3.2 RTA counterpart for GABC

Mr. Iyad Salameh

Head of International Relation & Projects Department

General Administration of Borders and Crossings

Jericho, West Bank

**MoFP/Customs Department**

5.3.3 PL counterpart for MoFP/ Customs Department

Mr. Luai Hanash

Director General of Customs, Excises and VAT

Ministry of Finance and Planning

Ramallah, West Bank

5.3.4 RTA counterpart for MoFP/ Customs Department

Ms. Sahar Al Malki

Director of Public Relations Unit

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**5.4. Project Steering Committee (PSC)**

A project Steering Committee will be established at the beginning of the project comprising senior representatives of the beneficiary institutions; Customs Department/MoFP and GABC, European Union Representative Office, Palestinian Prime Minister's Office, Ministry of National Economy and EUBAM Rafah.

The steering committee will meet at regular quarterly intervals and will submit by the end of the meetings the minutes of the decisions taken in line with the provisions of the 2017 Twinning Manual. Official minutes will be kept in English and distributed to all parties within two weeks after the PSC meeting.

6. **Duration of the project**

27 months with an implementation period of 24 months.

**7. Sustainability**

The twinning project activities respond and contribute to the identified objectives and priorities set in the national strategies on Customs and Integrated Border Management. The project will increase the efficiency and transparency of the beneficiaries, both GABC and its related border agencies and the Customs Department, and will therefore have a catalytic effect on the economy by helping to create a stable environment necessary to attract foreign and domestic investors thus contributing to the sustainable economy and protection of legitimate trade and society.

**8. Crosscutting issues**

*Equal Opportunities and non-discrimination*

Promoting a more diverse (gender) workplace will be a strong element in strengthening the institutional capacity of both Beneficiaries. This project will ensure to address the barriers that prevent equal opportunities at the workplace. As equal opportunity is concerned main focus will be in making less traditional work-areas accessible to both genders.

*Environment and climate change*

This project is expected to have a neutral impact on the environment. The projects’ operation will ensure environmental efficiency measures are respected including efficient use of resources and their recycling (e.g. paper recycling, recycling of printer toner etc). Disaster resilience and risk prevention and management should be integrated in the planning, preparation and implementation of projects.

*Civil Society/Stakeholders involvement*

Civil Society /Stakeholders involvement will be taken into consideration in all aspects of EU-funded activities in order to support civil society organisations to strengthen their capacities and professionalism, allowing them to engage in an effective dialogue with public and private actors and to monitor developments in areas such as management of EU funds.

**9. Conditionality and sequencing**

The project includes the following key conditions:

The Palestinian Authority continues to demonstrate its commitment to adopt and implement the *Union acquis* and standards in the field of customs, border controls and fiscal revenue. There is high commitment by the PA towards reform and development of the tax and customs administration and border agencies.

Capacity building requires sustained ownership and strategic commitment from the relevant authorities and significant investment in terms of resources and expertise. There are available infrastructure and logistics capacities, accordingly, the beneficiaries are fully committed to implement the project, it appoints adequate qualified and competent staff to participate in the project implementation, as well as allocate appropriate working space and facilities.

**10. Indicators for performance measurement**

**This Twinning is meant to contribute to the PA targets; as such it will contribute to achieve:**

* Annual growth of customs revenue collection. Target: minimum 8%
* Percentage of decrease in economic crimes at the borders. Target: minimum 10%
* Number of MoUs signed with partner agencies on coordinating borders control. Target: minimum 5
* Number of coordination mechanisms for borders control introduced among border agencies. Target: minimum 3
* Percentage of increase in customs revenue collection from the Post Clearance Audited files. Target: minimum 6%
* Percentage of increase in number of post clearance audited files. Target: minimum 2%

**11. Facilities available**

The beneficiary shall make available the necessary infrastructure for Member State(s) experts to carry out their tasks. The beneficiaries should provide equipped office space for the RTA, RTA assistant and short term experts. The beneficiaries are expected to set up an office unit dedicated to the implementation of the project and to make available, free of charge, meeting rooms and space for training for the implementation of project activities and conference facilities, unless otherwise justified to use rented premises.

**ANNEXES TO PROJECT FICHE**

I. Logical framework matrix in standard format

II. List of relevant Laws and Regulations

III. List of Agreements

IV. Palestinian Customs Department Organigram

V. GABC Organigram

## 

## ANNEX I: Logical Framework

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Indicators (with relevant baseline and target data)** | **Sources of verification** | **Risks** | **Assumptions (external to project)** |
| **Overall Objective** |  |  |  |  |
| To improve the Palestinian Authority (PA) fiscal position through improving collection of customs revenues and strengthening border controls in order to reduce evasion of customs duties. | * Annual growth of the customs revenue collection.   Target: minimum 8%   * Percentage of decrease in economic crimes at the borders.   Target: minimum 10% | MoFP Annual Report    GABC Reports |  |  |
| **Specific Objective 1** | | | | |
| 1. To enhance the PA's capacity to conduct effective controls on goods based on the information provided by the travellers and on the concerning commercial documents in order to protect the customs revenue at the border. | * Number of MoUs signed with partner agencies on coordinating borders control.   Target: minimum 5   * Number of coordination mechanisms for borders control introduced among border agencies.   Target: minimum 3 |  | * The political situation in Palestine remains uncertain and volatile. Security issues as well as constraints linked to political divisions may hinder the implementation of the project * Lack of progress vis a vis the protocols as agreed with the Government of Israel | * Strengthening the Palestinian presence at the entry points * Government is willing to pursue and is committed to the project and to implement reforms in border controls |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Component 1:** Strengthening the capacity of GABC to conduct effective border controls | | | | | |
| Result 1.1 One stop shop framework and procedures drafted and control processes simplified and better coordinated among stakeholders. | * Administrative framework drafted for introducing a one stop shop * Standard operating procedures developed * Percentage of staff representing the relevant institutions/agencies that will operate in the one stop shop trained on applying simplified control processes. Target: minimum 50% | * guidelines and procedural documents * Twinning Interim Reports * Training reports and certificates | * A potential deterioration in the security situation in the Palestinian Territory may temporarily prevent consultants from doing their work in certain areas of the West Bank. | * The PA has full and central ownership of the project and reform process * Support of the PA towards the legislative amendments * Government adoption of new procedures and guidelines * Appropriate staff are made available for training and are released from their duties during training and are retained in post after training. * Appropriate staff appointed by the beneficiaries are made available to work with the EU twinning partners | |
| Result 1.2 Import and export procedures developed in line with international standards to improve borders control and facilitate trade. | * Assessment and recommendations on simplified import and export procedures against international standards delivered * Amendments of procedures and guidelines drafted and streamlined * Percentage of GABC staff from customs and logistics trained and gained capacity in import and export procedures in line with international standards. Target minimum 25% (20 out of 80 staff) | * Assessment report * Guidelines and procedural documents * Twinning Interim Reports * Training reports and certificates |
| Result 1.3 GABC Capacity in prevention and detection of economic crimes at the borders improved | * Amendments of procedures and guidelines drafted and streamlined * Percentage of GABC Staff from relevant agencies trained and gained capacity in detection and prevention of economic crimes at the borders. Target: minimum 20% (20 out of 100 staff) | * Guidelines and procedural documents * Twinning Interim Reports * Training reports and certificates |
| Result 1.4 Administrative framework and operational procedures developed for Inter-Agency Operational room. | * Administrative framework drafted for setting up Inter-agency Operational room * Standard operating procedures developed and streamlined among border agencies * Percentage of GABC staff in the operational room trained and gained capacity on implementing inter-agency operational procedures. Target: 100% (estimated 20 staff) | * Administrative framework, guidelines and procedural documents * Twinning Interim Reports * Training reports and certificates |  |
| Result 1.5 Enhanced system for tracking and monitoring corruption cases in line with international best practices. | * Tracking system/tools for corruption cases developed.   Percentage of staff at the GABC Internal Audit Unit, the Military Intelligence Agency and the Anti-Corruption Authority, gained knowledge and skills in tracking and monitoring corruption cases using the introduced system/tools. Target: Minimum 30% (10 out of 30 staff) | * The updated/developed tools on corruption cases * Twinning Interim Reports * Training reports and certificates |
| **Specific Objective 2** | | | | | |
| To strengthen the PA's capacity to improve customs collection and implement post clearance audit procedures in accordance with international standards and in the specific field of the undervaluation of the imported goods, correct application of rules of origin and tariff regulations. | * Percentage of increase in customs revenue collection from the post clearance audited files.   Target: minimum 6%   * Percentage of increase in number of post clearance audited files   Target: minimum 2% | Palestinian Custom departments reports | * The political situation in Palestine remains uncertain and volatile. Security issues as well as constraints linked to political divisions may hinder the implementation of the project * Lack of progress vis a vis the protocols as agreed with the Government of Israel | * The PA has full and central ownership of the project and reform process * Strengthening the Palestinian presence at the entry points * Government is willing to pursue and is committed to the project and to implement reforms in customs revenue collection | |
| **Component 2:** Strengthening the Palestinian customs in conducting Post Clearance Audit to increase controls and reduce irregularities and tax evasion | | | | | |
| Result 2.1: Amendments to the relevant Customs Law drafted | * Amendments to the customs law drafted | * The draft document of the amendments to the law | A potential deterioration in the security situation in the Palestinian Territory may temporarily prevent consultants from doing their work in certain areas of the West Bank. | | * Support of the government towards the legislative amendments * Government adoption of new procedures and guidelines * Appropriate staff are made available for training and are released from their duties during training and are retained in post after training. * Appropriate staff appointed by the beneficiaries are made available to work with the EU twinning partners |
| Result 2.2: Post Clearance Audits improved and compliant with international standards strengthened | * Manuals and operating procedures on implementing Post Clearance Audit is developed * Percentage of internal auditors gaining new skills on implementing PCA in compliant with the updated procedures and modern standards. Target: minimum 40% of internal auditors (25 out of 63 staff) * Number of PCA centres supported to introduce the updated PCA procedures. Target: 3 | * Manuals and procedural documents on PCA * Twinning Interim Reports * Training reports and certificates * PCA files and Centres' data records |
| Result 2.3: Risk analysis and management system and customs intelligence enhanced | * System/tools and techniques on risk analysis and management developed and based on assessment * Coordination mechanisms for exchange of information developed to assess and manage risk * Percentage of customs staff gained skills and competences in risk analysis and management. Target: 100% of staff in the risk analysis and management unit; (20 staff) | * The updated tools on risk analysis and management * Twinning Interim Reports * Training reports and certificates |  | |
| Result 2.4: Capacity of the customs department in managing legal disputes improved | * Draft amendments for the administrative framework on managing legal disputes developed. * Manuals and standard operating procedures updated * Percentage of relevant customs staff trained and gained capacity in managing legal disputes. Target: 100% (20 staff involved in managing legal disputes) | * Manuals and procedural documents * Twinning Interim Reports * Training reports and certificates |
| Result 2.5: Enhanced system for tracking and monitoring corruption cases in line with international best practices. | * Tracking system/tools for corruption cases developed. * Number of staff at relevant customs department gained knowledge and skills on tracking and monitoring corruption cases using the introduced system/tools. Target:8 ( 2 staff from each of the 4 units; legal unit, internal audit, compliance, customs disputes) | * The updated/developed tools on corruption cases * Twinning Interim Reports * Training reports and certificates |

## ANNEX II: List of relevant Laws and Regulations

* The Customs and Excise Law of 1962;
* Protocol on Economic Relations between the Government of Israel and PLO (Paris

1995)

* The Agreement signed between the State of Israel (the Taxes Authority in Israel)

and the Palestinian Authority on Chapter 12 - Procedures of importation to PA

(Jerusalem 30.6.2010);

* The Protocol on Security Implementation Procedures (15 November 24, 2005); procedures to be adopted for the passengers crossing through Rafah Crossing

Point (RCP);

* Agreement on Access and Movement 2005 (RCP);
* Agreed Principles on RCP (Paris 2005);
* Economic Agreements signed with foreign countries (*Attached in ANNEX III*)

## ANNEX III: List of Cooperation and relevant agreements

|  |  |  |
| --- | --- | --- |
| **Agreement** | | **Details** |
| 1 | Paris Protocol on Economic Relations as part of the Israeli Palestinian Interim Agreement on the West Bank and the Gaza Strip | An Economic trade agreement concluded on April 9th, 1994 in Paris between the Palestine Liberation Organization (PLO) and the government of the State of Israel stating the basic principles of free trade between the two parties. |
| 2 | Interim Agreement on Trade And Cooperation with the European Union | The Interim Association Agreement was signed on February 17, 1997 between the Palestine Liberation Organization (PLO) and the European Commission for the benefit of the Palestinian Authority. This agreement came as an outcome of the Barcelona Process that was launched by Euro-Mediterranean of Foreign Ministers in November 1995 to strengthen the relation between Europe and other Mediterranean countries. Based on IAA, the Palestinian Authority was amongst the first partner countries to be included in the European Neighborhood Policy (ENP) in 2004, as part of providing EU technical and financial support to the process of state building |
| 3 | Greater Arab Free Trade Area (GAFTA) | Agreement between Jordan and the Palestine Liberation Organization signed in July 1998. It provides preferential tariffs for goods traded between Palestine and Jordan. Since 2005 Palestinian exports enjoy duty free quota free treatment in all Arab countries that are members of GAFTA. |
| 4 | Interim Agreement with EFTA States | This agreement was signed on November 30, 1998 between the EFTA States (Iceland, Liechtenstein, Norway, and Switzerland) and the Palestine Liberation Organization (PLO) for the benefit of Palestine and entered into force on July 1, 1999. The scope of the agreement is the elimination of all trade tariffs for industrial goods between both parties and elimination of non-tariff barriers, as well as other trade related issues, such as competition rules, intellectual property protection, public procurement, monopolies, aid and payments and transfers. |
| 5 | Interim Agreement on Trade with Turkey | This trade agreement between Turkey and the Palestine Liberation Organization (PLO) was signed in July 2004 in Istanbul to establish a free trading area between the two parties eliminating tariff and non-tariff barriers. |
| 6 | Free Trade Agreement with MERCOSUR | This Agreement was signed in 2011 with the Southern Common Market (MERCOSUR), whose Members are Argentina, Brazil, Paraguay, Uruguay and Venezuela. The agreement has not entered into force yet. |
| 7 | Free Trade Agreement with Egypt | The Palestinian-Egyptian Trade Agreement was signed in 1994 granting duty free entrance of Palestinian products to Egypt as long as they meet the Egyptian Rule of Origin. |
| 8 | Free Trade Agreement with Jordan | The agreement between Jordan and the Palestine Liberation Organization was signed in July 1998. It provides preferential tariffs for goods traded between the two parties. |
| 9 | Agreement on Commercial Cooperation between the Palestine Liberation Organization and Russia | The agreement was signed in 1998 and extends the status of the Most Favored Nation (MFN) to one another. |
| 10 | The Agadir Agreement | A free trade agreement aiming to establish free trade between Arab-Mediterranean counties, it was signed in 2004 by Egypt, Jordan, Morocco and Tunisia. The agreement aims to develop economic activities and improve living standards within the member countries, and is open for Arab Mediterranean Countries who are in association agreement with EU and Members of the Arab League.  The Palestinian Authority and Lebanon joined the Agadir agreement in 2017 officially. |
| 11 | Agreement between the Government of the Republic of Turkey and the Government of the State of Palestine | The agreement was signed in 2013 on cooperation and mutual assistance in customs matters. |
| 12 | Agreement between the Government of the Russian Federation and the Government of the State of Palestine. | The agreement was signed in 2014 on cooperation and mutual assistance in customs matters. |
| 13 | Agreement between the Government of the State of Palestine and the Hashemite Kingdom of Jordan | The agreement was signed in 2014 on cooperation and mutual assistance in customs matters. |
| 14 | Palestine became a member in the World Customs Organization in 2015. | |
| 15 | Palestine became a member in the INTERPOL in September 2017. | |

## ANNEX IV: Organigram (Main Departments) for General Directorate of Customs, Excises and VAT under Ministry of Finance and Planning

## ANNEX V: Organigram (Main Departments) for the General Administration for Borders and Crossings

1. The National Policy Agenda (NPA) was adopted by the Palestinian Authority in December 2016. The NPA outlines the PA's reform and development strategy with the aim to provide all Palestinians with an improved standard of living, better services accessible to all and responsive, accountable, transparent public institutions that put citizens first. [↑](#footnote-ref-1)
2. The European Joint Strategy was formally adopted on 8 December 2017. This constitutes the multi-annual strategic umbrella under which EU programming for the period 2017-2020 takes place. The European Joint Strategy brings together the development work of EU Member States and Norway and Switzerland, as like-minded partners. It is aligned to the Palestinian National Policy Agenda 2017-2022 and its associated sector strategies. The EU has decided to fully substitute its multi-annual programming document with the European Joint Strategy. [↑](#footnote-ref-2)
3. This designation shall not be construed as recognition of a State of Palestine and is without prejudice to individual positions of the Member States on this issue. [↑](#footnote-ref-3)
4. World Bank, Economic Monitoring Report to the Ad Hoc Liaison Committee, April 2016 [↑](#footnote-ref-4)
5. International crossing point between the West Bank and Jordan. Also called Al Karamah Bridge by the Palestinians, King Hussein Bridge by the Jordanians and Allenby Bridge by the Israelis. [↑](#footnote-ref-5)
6. After the Israeli disengagement from Gaza in 2005, an agreement on Movement and Access was concluded between the Government of Israel and the Palestinian Authority regarding the operation of the Rafah Crossing Point. The Council of the European Union agreed to undertake the task to monitor the operations of the Rafah crossing. Following the Hamas takeover in the Gaza Strip in 2007, Rafah crossing was closed by the Egyptian authority and was opened on exceptional basis. After the Egyptian reconciliation deal signed in October 2017 between the Palestinian factions (Fatah and Hamas), the Palestinian Authority resumed its administrative control on Rafah Crossing Point. [↑](#footnote-ref-6)
7. Legislation that cuts U.S. funding that directly benefits the Palestinian Authority over the PA payments of financial support to families of Palestinians killed or imprisoned by Israel. [↑](#footnote-ref-7)
8. SIGMA (Support for Improvement in Governance and Management) is a joint initiative of the Organisation for Economic Co-operation and Development (OECD) and the European Union. SIGMA supports partner countries in their efforts to improve governance and management [↑](#footnote-ref-8)
9. The number of agencies and staff involved in the one stop shop will be determined upon setting the structure and related framework. [↑](#footnote-ref-9)
10. The number of staff to be involved in the operational room will be determined upon setting the procedures [↑](#footnote-ref-10)