

**BOARD
OF
DIRECTORS**

ASIAN DEVELOPMENT BANK

R200-00
22 September 2000

**TECHNICAL ASSISTANCE TO THE MALDIVES
FOR CAPACITY BUILDING FOR THE MALDIVES CUSTOMS SERVICE
(FINANCED FROM THE JAPAN SPECIAL FUND)**

The attached Report is circulated for the information of the Board. The President approved the technical assistance on 5 September 2000.

For Inquiries: Mr. J. Tsunoda, Infrastructure, Energy and Financial Sectors
Department (West) (Ext. 6371)
Mr. H. Imamura, Programs Department (West)
(Ext. 6246)
Ms. C. Vandenabeele, Office of the General Counsel
(Ext. 4963)

ASIAN DEVELOPMENT BANK

TAR: MLD 34021

**TECHNICAL ASSISTANCE
(Financed from the Japan Special Fund)**

TO THE

REPUBLIC OF MALDIVES

FOR

CAPACITY BUILDING FOR THE MALDIVES CUSTOMS SERVICE

September 2000

CURRENCY EQUIVALENTS

(as of 30 July 2000)

Currency Unit	–	Rufiyaa (Rf)
Rf1.00	=	\$0.087
\$1.00	=	Rf11.77

Although the exchange rate of the rufiyaa is determined under a system of managed float, it has been fixed at Rf11.77 to the dollar since October 1994 under a de facto fixed exchange rate policy.

ABBREVIATIONS

ACV	–	WTO Agreement on Customs Valuation
ADB	–	Asian Development Bank
ASYCUDA	–	automated system for customs data
MCS	–	Maldives Customs Service
MOFT	–	Ministry of Finance and Treasury
PEA System	–	post entry audit system
TA	–	technical assistance
WTO	–	World Trade Organization

NOTES

- (i) The fiscal year of the Government ends on 31 December.
- (ii) In this report, “\$” refers to US dollar.

I. INTRODUCTION

1. During the 1999 Country Programming Confirmation Mission of the Asian Development Bank (ADB), the Government of the Republic of Maldives (the Government) requested technical assistance (TA)¹ for capacity building for the Maldives Customs Service (MCS). This is part of the Government's program to improve the overall performance of public sector management. The Fact-Finding Mission visited the Maldives from 30 March to 6 April 2000, and reached an understanding with the Government on the justification and priority for the TA, its objectives and scope, and implementation details including the terms of reference of the TA consultants. The TA framework is provided as Appendix 1.

II. BACKGROUND AND RATIONALE

2. The Maldives has achieved commendable economic growth and stability since the mid-1990s. However, it has been constrained by its limited agricultural and mineral resources and the small size of its domestic market, which results in a high dependence on two sectors, fisheries and tourism. The Government's revenue structure is highly dependent on import duty and tourism tax; import duty is the largest contributor, accounting for about 31 percent of total revenue. In light of the revenue vulnerability that this entails, the Government is working to introduce a business profit tax and a property rental tax to broaden the current tax base. However, continued efforts are needed to enhance the capacity of MCS to ensure steady revenue collection from dutiable imports.

3. On 31 May 1995, the Government acceded to the Marrakesh Agreement Establishing the World Trade Organization (WTO), which consists of a number of annexes including the Agreement on the Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (the WTO Agreement on Customs Valuation or ACV) (Appendix 2). The Maldives has availed of the provision that permits WTO developing country members to defer implementation of Article VII by five years from the date of membership in order to prepare the necessary domestic actions. While the limit of the deferment period was reached in May 2000, in accordance with the provisions of the ACV the Government sought an extension for two more years. This is now under consideration by WTO's committee on customs valuation.²

4. Adoption of the ACV is expected to have significant implications on stabilizing a major component of Government revenue and enhancing the quality of public sector governance. However, to enable effective implementation, MCS's institutional capacity will need to be strengthened. For example, one of the main features of the ACV is to place the onus of proof on the customs authorities to disprove import values declared by importers. Under current practice, the customs authorities can determine import values. On the revenue side, this implies an urgent need to upgrade the valuation system and enhance the institutional capacity of MCS to prevent valuation fraud, otherwise the revenue from imports may not be properly ensured. On the governance side, the ACV aims to prevent arbitrary determination of import value and thus

¹ The TA was first listed in *ADB Business Opportunities* in May 2000.

² The ACV in its Annex III, states that "The five-year delay in the application of the provisions of the Agreement by developing country Members provided for in paragraph 1 of Article 20 may, in practice, be insufficient for certain developing country Members. In such cases a developing country Member may request before the end of the period referred to in paragraph 1 of Article 20 an extension of such period, it being understood that the Members will give sympathetic consideration of such a request in cases where the developing country Member in question can show good cause." It has been the consistent practice that deferment requests have been granted. The deferment does not affect the objectives of the TA.

promote improved public sector management in the area of administrative operations and procedures in customs services. Successful adoption of the ACV will result in enhanced transparency and accountability of customs operation, and facilitate fair and efficient international trade. Under the ACV, there are other obligations that WTO members must comply with regarding imports, including the right of appeal for importers, nondisclosure of confidential information, transparency of domestic laws and regulations, and tentative release of questioned shipments subject to a deposit. As ADB accords priority to assisting the Government to facilitate improved public sector governance, especially in the area of fiscal management, support for capacity building of MCS is in line with ADB's country operational strategy for the Maldives.

5. There are several important areas in which institutional strengthening of MCS is needed to align its operational practices with WTO standard. These include the current system of customs valuation and the procedures for dispute settlement. In MCS, there is no provision for the tentative release of questioned shipments subject to the production of security or guarantee. Prior to gaining court relief, an importer must pay the customs duties in full. While most WTO members have introduced a postentry audit (PEA) system, whereby import declarations are checked after goods are released as an effective tool against undervaluation, there is no equivalent provision in MCS. MCS's customs import clearance is being processed with ASYCUDA (automated system for customs data), a computerized customs clearance software system developed by United Nations Conference on Trade and Development (UNCTAD), which is used by more than 80 countries (Appendix 3). ASYCUDA was fully operational in MCS by the end of June 2000. However, the automated system is not equipped with a valuation database and a price analysis module, which are essential to screen prices filed in import declarations.

6. The shift to the entirely new valuation system as provided for by the ACV system requires consideration to be given to (i) the complexity and novelty of the WTO valuation rules; (ii) the trade facilitation objective of the ACV vis-à-vis the need to protect revenue (which is crucial in the Maldives' case) against false invoicing, or incomplete and inaccurate declaration within the context of a self-assessment system by importers where the burden of establishing declaration error or fraud is shifted to the customs authority; and (iii) the various legal, technical, administrative, and operational support needed to promptly implement the new valuation system.

7. To fulfill the requirements of the ACV system, MCS's existing organizational structure has to be reviewed. Presently, MCS has 475 staff operating in four branches covering management services, prevention and enforcement, human resources and international relations, and revenue documentation and valuation. Within the Revenue and Documentation Branch, special attention needs to be given to strengthening the Valuation Division, as well as the Information Technology and Statistics Division. Capacity upgrading is needed to handle introduction of the WTO valuation system, and develop a new database, a price analysis, and screening module. It is also desirable to set up a new division to handle the PEA system.

8. To prepare MCS to implement the new valuation system, a core implementation team will be established, composed of customs experts assisted by the TA consultants. The team will draw up the program of action to introduce the new valuation system based on its legislative, administrative, organizational, and operational requirements. The team will have a good working knowledge of the provisions and principles of the ACV. Accordingly, a training program for the members of the core implementation team is necessary to ensure that a sufficient knowledge base is acquired for a high-level discussion on policy development.

III. THE TECHNICAL ASSISTANCE

A. Objectives

9. The TA aims to strengthen the valuation capacity of MCS to enable it to successfully adopt and apply the WTO valuation rules in 2000-2001, and thus to enhance transparency and accountability of MCS. In particular, the TA will upgrade the valuation system and institutional capacity of MCS to prevent valuation fraud and to secure revenue collection from import duties, while at the same time facilitating international trade.

B. Scope

10. The TA comprises three components to (i) improve customs administration and operational functions, (ii) develop a supportive legal framework, and (iii) establish a valuation database and a price analysis tool.

11. **Improve customs administrative and operational functions.** The basic concern in introducing the WTO valuation system is how to check undervalued declarations in the new valuation system, which does not permit the use of the reference price as a substitute value against a suspected value declaration. There are two possible solutions to this. One is to develop a valuation database and a price analysis software, and the other is the introduction of a PEA system on which most WTO members rely. Selection of items to be audited would be based on certain risk criteria, letting most import declarations go with minimum or without customs intervention. While the system may require some organizational change including staff restructuring or expansion, it would also require sound bookkeeping by individual importers. At present in the Maldives there are no such requirements under the law. Consequently, it also involves legal or regulatory issues.

12. Implementation of the WTO valuation system has two essential ingredients: (i) training of customs personnel, especially those dealing with valuation, on the WTO methods of valuation and on the new import procedures to be established, including familiarization with the new offices and functions to be created as a result of necessary organizational changes, and (ii) the orientation of the transacting public and import sector to the new valuation system and the new ways by which things will be done in customs resulting from its implementation. This will entail the formulation of a comprehensive training program and public information drive for both customs and the private sector.

13. **Develop a legal framework.** Foremost among the issues in adopting ACV is the establishment of an appropriate legal framework that authorizes the application of the new valuation system. This has two phases: first, the enactment of a law that will reflect the language and spirit of the ACV. Second, the crafting of rules and regulations to implement the law. In the Maldives there is no single customs act dealing comprehensively with customs matters, rather, customs matters such as imports and exports, customs assessment and operation are administered through various laws. MCS has initiated a program to consolidate all laws relating to customs matters into a single act; this program must first factor in the need to reflect the ACV in the legislation.

14. Another area for legal review is the process of valuation dispute settlement including appeal. With the new valuation system, the onus is on the customs authority to reject a declared

value. The data essential to challenge a given declaration are in almost all cases not available at the time of import filing. To avert undue delay of the goods in question, a provision for the tentative release under guarantee of such importation must be created by law or by regulation in order to comply with the ACV.

15. **Establish a valuation database and a price analysis tool.** A valuation module will be developed to capture desired information, detect valuation error or fraud, and assist in the decision-making process for valuation disputes. Any valuation database and price analysis module developed and linked to the automated system will be an effective tool not only for screening of declared values against valuation fraud, but also for trade facilitation.

16. The tool can be a valuation screen consisting of a price range against which a value declaration is computer-matched for unreasonable variance on the downside. If identified, the declaration is subject to scrutiny and possible rejection of the declared value. This involves development of a software program and technical training. Also, it may involve a study tour to a customs administration in a country that has successfully implemented the valuation module.

C. Cost Estimate and Financing Plan

17. The TA is estimated to cost \$824,000 equivalent, comprising \$647,000 in foreign exchange costs and \$177,000 equivalent in local currency costs (Appendix 4). ADB will fund \$700,000 equivalent to cover the entire foreign exchange cost of \$647,000 and \$53,000 equivalent for the local currency cost. The funding will be provided on a grant basis from the Japan Special Fund, funded by the Government of Japan. The Government will finance the remaining \$124,000 equivalent of local currency costs through the provision of office, secretarial and related services, training facilities and venues, remuneration of domestic counterparts, reports and communications, and local transport.

D. Implementation Arrangement

18. The Ministry of Finance and Treasury (MOFT) will be the Executing Agency and MCS will be the Implementing Agency. MOFT and MCS will create and constitute the core implementation team that will support the TA consultants. The core group should have a good working knowledge or understanding of the WTO Agreement on Customs Valuation; have expertise in valuation and import clearance procedures of MCS and its information technology infrastructure, including general administrative and operational policies; and be well-informed of the customs legislation profile as well as the trade and trade policy environment. The team should, likewise, receive the confidence and support of the highest echelon of authority possible.

19. The TA will cover training and seminars for customs personnel, especially those dealing with valuation using the WTO methods and on the new import procedures to be established. Some of the core members for TA implementation who will be potential trainers for staff may receive overseas training in a country in which the new valuation system and import clearance system have been introduced based on the WTO agreement. The TA will also cover an orientation seminar for the public import sector.

20. An international consulting firm will be selected and engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB. The consultants will field a team comprising four specialists: (i) customs operations specialist and team leader (international–8 person-months), (ii) customs legal specialist (international–4

person-months), (iii) local custom legal specialist (domestic–2 person-months), and (iv) customs automated system specialist (international–3 person-months). Inasmuch as the methodology for implementing the TA is clearly defined in the terms of reference (Appendix 5), a simplified technical proposal will be used for consultant selection.

21. The TA is expected to commence in October 2000 and be completed by August 2001. The TA consultants will prepare and submit an inception report, within 15 days from commencement of the TA, and an interim report within three months from the start of consulting services. The consultants will submit the draft final report four weeks before the end of the assignment. The draft final report will be discussed in a tripartite meeting of the Government, ADB, and the TA consultants. The final report, which will incorporate the comments of the Government and ADB, will be submitted at the end of the consulting period.

IV. THE PRESIDENT'S DECISION

22. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, on a grant basis, to the Government of the Republic of Maldives in an amount not exceeding the equivalent of \$700,000 for the purpose of Capacity Building for the Maldives Customs Service, and hereby reports such action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/ Targets	Monitoring Mechanisms	Assumptions and Risks
A. Goal Strengthen the valuation capacity of Maldives Customs Service (MCS) to enable it to adopt and apply the World Trade Organization (WTO) valuation rules in 2000-2001.	MCS will prepare and execute an action plan to build its capacity to effectively implement the WTO valuation system.	Interim report Draft final report Tripartite meeting Review mission	MCS will create a core implementation team consisting of responsible officers knowledgeable of the WTO Agreement on Custom Valuation (ACV) system, who will serve as resource persons for the Technical Assistance (TA) consultants.
B. Purpose 1. Institute organizational, administrative, and operational changes in line with the requirements of the ACV system. 2. Formulate a training and orientation program for customs and for the import sector. 3. Establish sufficient valuation control mechanisms to combat valuation fraud and protect customs revenue in the process.	Define the import entry procedure, valuation control mechanisms, valuation dispute, settlement system, and the appeals process under the ACV. Identify the organizational adjustments (abolition, merger, or creation of offices and/or functions) and staffing pattern for the ACV. Complete a training and orientation module on the ACV and the new import procedures. Develop a program containing a valuation database and price analysis tool to check suspicious value declaration at the time of entry filing. Factor in the legal framework in defining the administrative and	Interim report Draft final report Tripartite meeting Review mission As per B.1. As per B.1.	MCS will effect the targeted organizational administrative and operational changes to implement the ACV. MCS will establish a valuation program linked to the automated system for customs data (ASYCUNDA++) and a post-entry audit system as the primary modes of customs valuation control. Rules and regulations on ACV methods of valuation are already issued. ACV import procedure is already defined. MCS will install two valuation controls, one at the time of entry filing (valuation database) and the other after goods are released post-entry audit (PEA) system. The valuation program will be linked up to the

Design Summary	Performance Indicators/ Targets	Monitoring Mechanisms	Assumptions and Risks
	operational infrastructures (e.g., organization and staffing requirements, audit policies, audit selection criteria, internal control, reporting system, penalty regime, and appeals remedy) to support the PEA system.		automated entry processing system being run by ASYCUDA++ software program.
4. Review the existing laws and regulations on customs valuation, and determine the legislative framework needed to introduce the WTO valuation system.	<p>Collate all laws and regulations on customs valuation affected by the shift of the ACV system.</p> <p>Craft a law to authorize the application of the ACV system, and draft the rules and regulations to put the ACV into operation.</p> <p>Determine the legal framework for a PEA system.</p>	As per B.1.	The consultant can access the concerned ministries and departments, and obtain information required.
Outputs			
1. Manual on valuation procedure	Draft texts for printing, filing, and circulation	As per B.1.	As per C.4.
2. Training and orientation program	<p>Training course design and materials readied</p> <p>Training schedules and target participants already planned</p>	As per B.1.	<p>As per C.4.</p> <p>Manual on valuation procedure is already available.</p>
3. Concept paper on the PEA system for MCS	Determine the legal framework and other support infrastructures to run the PEA system	AS per B.1.	The PEA system receives full support from the Government of the Maldives, including Parliament, MCS, and the import sector.
4. Draft of the proposed legislation and the rules and regulations implementing the ACV	<p>Check draft against the provisions of ACV to ensure compliance with the WTO mandate.</p> <p>Translate text of the draft</p>	As per B.1.	<p>Advice on local legislation system is available.</p> <p>The language translation facility is reliable.</p>

Design Summary	Performance Indicators/ Targets	Monitoring Mechanisms	Assumptions and Risks
	into the national language.		
5. Valuation program containing price database and price analysis module	<p>Determine data input and price range to challenge value declarations.</p> <p>Develop systems integration work plan.</p> <p>Provide technical training on systems operation and maintenance.</p>	As per B.1.	<p>The valuation program as developed can be linked to the ASYCUNDA ++ software.</p> <p>Coordination with software developer United Nations Conference on Trade and Development (UNCTAD) will be established for assistance as may be necessary for software enhancement.</p> <p>Data available will be sufficient and reliable to produce desired results.</p>
6. Manual containing new customs law rules and regulations	Draft text for printing, filing, and circulation.	As per B.1.	Law and regulations are enacted and issued.

NOTES ON THE WTO AGREEMENT ON CUSTOMS VALUATION (ACV) SYSTEM

A. The ACV Basic Valuation Concept

1. The WTO agreement on custom valuation (ACV) basic valuation system, more commonly known as the Transaction Value (TV) method of valuing imports, looks at the price agreed upon between the buyer and the seller (Article 1, ACV). It also considers the other payments made by the buyer for the goods that are not included in the price paid or payable (Article 8, ACV). Together, they constitute the dutiable value of the imported article. In this context, the TV system is based on actual costs incurred by the buyer for the goods. This makes the TV system markedly different from the other types of valuation systems, such as reference price, published price, normal price, and so on. In this sense, these other valuation systems are considered notional or theoretical in character as the basis of valuation has no relationship with the import transaction at hand. In many instances, this results in arbitrary and unpredictable import valuation which the World Trade Organization (WTO) Agreement seeks to end.

2. On the other hand, the TV value is not necessarily the same as the invoice value. To illustrate: the invoice normally reflects the price paid or payable for the goods as agreed upon in the import transaction. In a CIF (cost-insurance-freight) invoice, the value of the insurance and the freight is already incorporated in the price. But in an FOB (freight on board) transaction, the invoice does not yet include the insurance and transport costs, hence, an adjustment to the FOB price must be made to be able to declare the correct customs transaction value. The ACV or TV system requires the inclusion, if actually incurred, of other costs (though not reflected in the invoice) as defined in Article 8 of the ACV (adjustments) to form part of the customs transaction value. These adjustments could cover selling commissions, assists (e.g., raw materials provided by the buyer to the seller), royalties, and license fees. In most cases, therefore, the total transaction value (price actually paid or payable plus the adjustments) could end up being higher than the value appearing in the import invoice. Hence, the dissimilarity between the TV and the invoice value.

3. With the use of the TV system, however, substitute (minimum) values are no longer allowed (Article 7.2.f, ACV). But while substitute values are not permitted, the price database containing this price information can still be used for reference purposes to establish doubt as to the truth or accuracy of the database or in risk profiling consistent with Article 17 of the ACV. Also, the burden of proof that the declared transaction value is incomplete or inaccurate, or otherwise fraudulent, is shifted to the customs authorities, as the elements that make up the dutiable value as defined in ACV require information not normally available to customs at the time of entry lodgment. Unless, customs has a very strong Information Technology (IT) based valuation risk management system, it will have to initially rely on the representation made by the import entry declarant. Consequently, WTO ACV user countries have developed a value verification system that is performed on a post-entry basis, that is, after the goods are already released from customs.

B. The ACV Methods of Valuation

4. Under the ACV, there are six methods of valuation. The primary method, method 1, is defined in Article 1, in relation to Article 2 of the ACV. If for any reason provided in the ACV, method 1 can not apply, the ACV rules say that the customs value will be determined based on

the alternate methods of valuation. Method 2 is the transaction value of identical goods; method 3 the transaction value of similar goods; method 4 the deductive approach where customs value is determined by obtaining the local selling price of the imported goods less profit, general expense, and tax; method 5, the cost of production system where the manufacturing costs, general expense, and profit margin are added up to arrive at the customs values; and the last, the fallback method (last resort) where any of the five methods may be used notwithstanding the fact that any of these methods was previously rejected due to noncompliance with certain conditions. The five alternate valuation methods have their individual set of rules and conditions. The use of the alternate methods should be made in a strictly hierarchical order.

5. Based on the experience of WTO ACV user economies, about 95 percent of import transactions are assessed using the primary transaction value method (method 1). This is mainly because customs will not have sufficient information to verify the truth or accuracy of a given declaration, condition of sale, or other payments made by the buyer not reflected in the invoice at the time of entry filing. Hence, customs is constrained to adopt the declared transaction value and simply rely on a post-entry verification.

C. Pertinent Administrative Provisions

6. The ACV requires that the valuation regime include the following policies:

- (i) published rate of currency exchange;
- (ii) confidentiality of information obtained by customs relating to value determination;
- (iii) publication of customs laws, regulations, rulings, and court decisions;
- (iv) right of administrative and judicial appeal against customs valuation decision;
- (v) right to be informed in writing of basis of value determination;
- (vi) remedy of tentative release if there is delay in value determination; and
- (vii) right of customs to verify the truth or accuracy of the value declaration.

NOTES ON AUTOMATED SYSTEM FOR CUSTOMS DATA

A. General Features of ASYCUDA

1. The Automated System for Customs Data (ASYCUDA) is a software program designed to automate import clearance procedures. Developed by United Nations Conference on Trade and Development (UNCTAD), the system has several modules covering manifest control, processing and validation of customs declaration, assessment (computation of duties), cargo inspection (selectivity), accounting, import and export license, foreign trade data and statistics, warehousing and suspense regimes, and electronic data interchange communication for administration, commerce, and transport.

2. The system checks all information declared in the import entry and computes the duties and taxes to be paid. It also handles the day-to-day accounting, compares duties due with duties paid, verifies payment before clearance, and prints payment notices and clearance forms for each entry made. The system can generate customs statistical data and is susceptible to being linked up to traders for remote entry lodgment through the electronic data interchange facility.

3. Through its selectivity module, ASUCUDA enables customs to classify shipments into risk categories to determine which cargoes will still require physical inspection and which may be released without customs examination. This module can likewise be used to develop a valuation program in the form of a valuation screen to inform customs of which value declarations need further scrutiny.

B. ASYCUDA++ (Version 3)

4. Version 3 of the ASYCUDA has the following distinguishing features:

- (i) greater flexibility provided by a client-server architecture using Unix Operating System (server) and Disk Operating System (client);
- (ii) more independence, through a modular design allowing changes of specific layers without need to reprogram changes throughout the system; and
- (iii) open environment, including a message handler and electronic data change communication for administration, commerce, and transport (EDI/EDIFACT) for data communication.

COST ESTIMATES

(\$)

Item	Foreign Exchange	Local Currency	Total
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. Remuneration	375,000	20,000	395,000
ii. Per Diem	81,600	3,000	84,600
b. International and Local Transportation	25,000	0.0	25,000
c. Communications, Report Preparation, Translation and other logistical support	3,000 0.0	3,000 0.0	6,000 0.0
2. Equipment and Software	55,000	0	55,000
3. Seminars, Workshops and Manuals	5,000	20,000	25,000
4. Contract negotiation related for Executing Agency	3,000	0.0	3,000
5. Overseas Training	15,000	0.0	15,000
6. Contingency	84,400	7,000	91,400
Subtotal (A)	647,000	53,000	700,000
B. Government Financing			
1. Office, Secretarial, and Related Services	0.0	30,000	30,000
2. Training Facilities and Venues	0.0	16,000	16,000
3. Local Counterpart	0.0	35,000	35,000
4. Reports and Communications	0.0	10,000	10,000
5. Local Travel	0.0	16,500	16,500
6. Contingency	0.0	16,500	16,500
Subtotal (B)	0.0	124,000	124,000
Total (A) + (B)	647,000	177,000	824,000

^a Financed from Japan Special Fund, Funded by the Government of Japan.

Source: Staff estimates.

TERMS OF REFERENCE FOR CONSULTANTS

A. Customs Operations Specialist–Team Leader (International Consultant - 8 person months)

1. The international consultant will have experience and expertise in customs administration and specifically on customs clearance procedures, preferably from a customs administration in a country that has implemented the new valuation system. The responsibilities of the Specialist will include the following:

- (i) Review existing import clearance procedures, and recommend a new set of procedures in line with the requirements of the new valuation system. Coordinate with the implementation team and the customs legal specialist to draft appropriate rules and regulations for the new customs procedures, dealing specifically with entry documentation, entry filing, assessment of customs value, valuation dispute settlement, and the appeals process.
- (ii) Identify the support infrastructure for a post-entry audit system, including the organizational setup, staff requirements and training, information base and Information Technology support, audit selection criteria, conduct of audit, reporting system, internal control, penalty regime, and appeals system. Coordinate with the implementation team and the customs legal specialist for the legal framework for a post-entry audit system.
- (iii) Recommend the organizational changes, if any, to be introduced including staffing restructuring or expansion, to efficiently administer the new set of valuation procedures and effectively operate a post-entry audit infrastructure.
- (iv) Prepare a manual on valuation procedures for officers dealing with assessment of customs value, which will serve as a training manual for valuation officers.
- (v) Design and conduct a valuation training program for the customs administration, and the ministries of finance and treasury, and trade, as may be necessary, including importers/traders, and customs brokers, with a special advance course (workshop type) for the frontline assessment officers as well as preparing a study tour for select Maldives Customs Service (MCS) officers in a country that has already implemented automated system for customs data (ACV).

B. Customs Legal Specialist (International Consultant: 4 person-months)

2. The consultant will have experience and expertise in the transaction value system provided for in the World Trade Organization (WTO) Customs Valuation Agreement, preferably with a customs administration of a country that has implemented the Agreement. The consultant will conduct the following:

- (i) Review all laws relating to customs valuation, including those pertaining to the penalty and valuation appeals process, and identify those that may require amendments to conform to the new valuation system.

- (ii) Draft necessary amendments to those laws and/or craft new legislation (in consultation with the customs authority through the core implementation team and a domestic legal consultant, the Ministry of Finance and Treasury, and any other Government agencies involved in the new valuation system) that will reflect the principles and methods of valuation prescribed in the ACV.
- (iii) Advise on the legal framework of a post-entry audit system.
- (iv) Craft the necessary rules and regulations to implement the valuation law that is drafted in accordance with item (ii), in coordination with the customs operations specialist specifically dealing with the customs administrative and import clearance procedures.
- (v) Prepare a handbook collating the new customs law as passed, together with the implementing rules and regulations issued, which will serve as reference material for customs training and a public awareness campaign.

C. Local Customs Legal Specialist (Domestic Consultant: 2 person-months)

3. The consultant will have thorough knowledge of Maldivian acts and laws relating to trade, customs, and tariffs. The specialist will work closely with and assist the international customs legal specialist in the following:

- (i) Advise on the legal framework and the law-making process in the Maldives.
- (ii) Review all laws relating to customs valuation, including those pertaining to the penalty and valuation appeals, and identify those that may require amendments to conform to the new valuation system.
- (iii) Provide legal opinions on draft amendments to those laws, rules, and regulations to conform to the new valuation system.
- (iv) Translate the draft amendments prepared in English into the official Maldivian language.
- (v) Establish a price analysis and valuation database to be linked to the existing automated customs clearance system.

D. Customs Automated System Specialist (International Consultant: 3 person-months)

4. The consultant will have thorough knowledge of the Asycuda++ and of automated customs clearance procedures. The specialist will conduct the following:

- (i) Review the existing automated customs clearance system and develop a valuation program, consistent with the WTO valuation system, featuring a database and a price analysis and screening module in line with the objectives set down by the customs authority through its implementation team and Information Technology (IT) counterpart, and evaluate and procure a software program to be utilized;

- (ii) Identify and establish support infrastructure for the successful development and operation of the valuation module.
- (iii) Design a training course for select customs officers who will handle the operation of the valuation module, on the system's principles, usage, technical requirements, and maintenance.
- (v) Prepare the materials and equipment to be used in the training course.
- (vi) Conduct the training program.