

# **Interview: Donald Hays, Principal Deputy High Representative: "BiH will have state customs before the end of the year"**

*European Commission allocated 10 million EURO for customs reforms \* Gradual introduction of VAT possible \* Revenues to Entities and the State will be secured*

Bosnia and Herzegovina will have functional a state customs administration by the end of the year, announced the Principal Deputy High Representative Donald Hays in his interview for "Dnevni avaz".

Hays, who is acting chairman of the Commission which is to prepare all the necessary documentation which will serve as the legal basis for the introduction of state-wide VAT and customs by the end of July, believes that customs will be functioning at the state level before November or December of this year.

## **The number of customs officers**

**Dnevni avaz:** Does the introduction of state customs imply a cut in number of employees in that service as well as a reduction in the number of customs offices and terminals within the state?

**Donald Hays:** I believe that things will develop as follows: there will be an agreement on the legal structure and the method of work followed by a consolidation, the establishment of internal controls and the vetting of candidates to be hired. We will then know how customs offices should be

arranged, how many employees hired and who can be hired to that service. It is obvious that corrupted and compromised elements cannot stay within this service.

**Dnevni avaz:** You have mentioned vetting. Who is going to do that?

**Donald Hays:** It is apparent that CAFAO has to be involved in all these activities. It has not yet been decided who is going to take the lead, but we do know that the European Commission will support this process with 10 million EURO. That money will be used for new equipment, training, international experts...

**Dnevni avaz:** Will the same procedure be also applied to tax officers?

**Donald Hays:** First, we have to decide on the number of people required for the state administration of VAT, then in the ranking below, the number of offices, the seat and from this the total cost. This is fully separated from tax activities which are to be carried out by the Entities. The Administration dealing with VAT is not a police institution, but a service. Its establishment will require a lot of time – from 18 months to two years.

**Dnevni avaz:** Does this mean that the deadline specified, that is, January 1, 2005 could be missed?

**Donald Hays:** I think that first of all it is too early to talk about deadlines. It is indeed our objective to have the VAT system established by January 1, 2005, but we will see if this will happen, or if we have some parts of the system which are not yet implemented and at some stage of realization.

I believe that the present disposition is that VAT will be introduced by testing various models here and there, and then the best model implemented throughout the country.

## Money allocation

**Dnevni avaz:** How will the money collected from customs and VAT be distributed?

**Donald Hays:** When establishing the formula, the Entities will be assured at least the revenue that they have been collecting to date, if not more than that. This will be the best way to prove the accuracy of our previous statements, and that some of the speculation in media on this issue which says that VAT would take money from the Entities and give it to the state, and that this is a way of centralizing the state are pure fabrications.

Pursuant to the Constitution, the Entities secure money for the functioning of the state and for the servicing of debts. The states financing will also have to be secured through the VAT and customs administrations. The rest will be allocated to the Entities, and the forthcoming negotiations will define how this will be implemented further.

**Dnevni avaz:** Who will control the professionalism in the work of these authorities?

**Donald Hays:** In the first instance, it will be the director proposed by us. During the first years, he/she will probably be a European who will have to issue difficult decisions, decisions which should be binding. The Governing Board will oversee this and will be made up of representatives of the Entities and the State.

## Meeting next-week

Ambassador Hays announced the first meeting of the Commission, which is to be chaired by him, for next week. He stressed that representatives of the European Commission, CAFA0 and the domestic authorities will also actively participate in its work.

**Donald Hays:** The seat of the Commission will be at the OHR for the time being, and we will also provide initial funds for its work. However, I want to see a stable source of funds for its financing for at least the next six months.