

**Agreement  
On Allocation of Customs Revenues**

This Agreement is made on December 1, 2004, between:

1. Susan R. Johnson, Deputy High Representative and Supervisor of the Brcko District of Bosnia and Herzegovina, Musala bb, 76 100 Brcko District of Bosnia and Herzegovina of the first part,
2. Brcko District of Bosnia and Herzegovina, here represented by Branko Damjanac, Mayor of the Brcko District of Bosnia and Herzegovina, Bulevar Mira 1, 76 100 Brcko District of Bosnia and Herzegovina, of the second part.
3. Indirect Taxation Authority of BiH – ITA - here represented by Kemal Causevic, the Director of ITA Banja Luka, Nikole Tesle 1, 78 000 Banja Luka, Bosnia and Herzegovina, of the third part;

**WHEREAS:**

1. *Recalling* provisions of the Final Award issued by the International Arbitration Tribunal for Brcko on March 5, 1999 and in particular Paragraph 8 B of the Annex to the Award dated August 18, 1999 which provides that the Supervisor has the final authority over the Brcko District Budget and revenues raised locally as well as by an allocation of customs revenues as contemplated in Paragraph 7 of the Annex.
2. *In accordance with* Article III(1)(c) of the Constitution of Bosnia and Herzegovina providing that Customs Policy is the responsibility of the Common Institutions of Bosnia and Herzegovina;
3. *Recognizing* that the Laws on Customs Policy and Customs Tariff of Bosnia and Herzegovina are directly applicable on the territory of Brcko District and that Bosnia and Herzegovina is a unique customs territory;
4. *Recognizing further* the Law on Indirect Taxation System in Bosnia and Herzegovina (Official Gazette of BiH No 44/03 dated December 31, 2003) that establishes the institutional and organisational basis for a single indirect taxation system in Bosnia and Herzegovina, contributes to the overall macroeconomic stability and fiscal sustainability throughout Bosnia and Herzegovina, supports the functioning of a single economic space in Bosnia and Herzegovina and provides for establishment of an Indirect Taxation Authority as an independent administrative organization which shall implement provisions on indirect taxation and the policy as determined by the Council of Ministers at the proposals of the Governing Board;

5. *In view* of the transition from the current structure of the customs administrations in BiH to the future unified administration which will contribute to the overall macroeconomic stability and fiscal sustainability throughout Bosnia and Herzegovina and aiming at facilitating the establishment of a single BiH customs administration;
6. *With the goal* of strengthening cooperation and coordination between the State institutions and Brcko District;
7. *Mindful of the* necessity for appropriate allocation of funds accrued from collection of 1% of customs evidencing fee, prior to January 1, 2004, for the purpose of continued improvements of customs operation within Brcko District;
8. *Following* consultations between parties to this Agreement which resulted in consensus about the allocation of funds in the manner outlined below

It is hereby **AGREED** that:

#### **Article 1**

Brcko District will allocate the amount of 7,253,814.12 million KM collected from charging 1% of customs evidencing fee, prior to January 1, 2004, in the following manner:

1. 3 million KM for the Brcko District customs terminal, construction of which has already been initiated;
2. 1.5 million KM for co-financing a road from the customs terminal at Gunja-Brcko bridge to the customs terminal in the Brcko Port area;
3. 100 thousand KM for renovation of the customs office at the Brcko – Gunja border crossing point.
4. 2 million KM for the purpose of purchasing the new, common BiH customs uniforms for ITA customs officers;

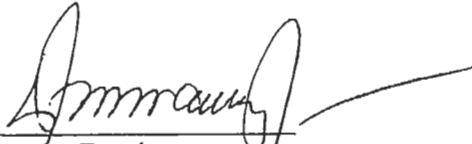
#### **Article 2**

The amount of 653,814.12 KM shall remain in the Brcko District budget for ITA related purposes/projects within Brcko District, upon mutual consent between the Director of ITA and the Supervisor.

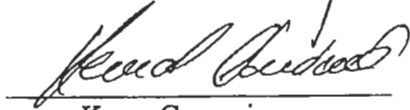
### Article 3

This Agreement is made in six (6) copies in both English and BiH languages and each contracting party retains two (2) copies, one of each version. English copies are authentic for all purposes.

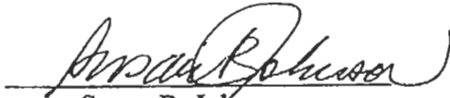
IN WITNESS whereof the parties hereto have hereunto set their hands the day and year first herein written.



Branko Damjanac  
Mayor of Brcko District of BiH



Keam Causevic  
Director of ITA Banja Luka



Susan R. Johnson  
Deputy High Representative  
and Supervisor of Brcko