

**Benefits:**

- Uninterrupted functioning of the Brcko economy;
- Confidence-building measure among local ethnic groups.

**C. Business Regulations**

Current business regulations are cumbersome and designed to provide maximum state control over firms. The typical company is visited by an endless parade of various inspectors, demanding bribes and kick-backs<sup>2</sup>. Many of these inspectors are vested with sweeping powers, including the right to shut down a company on the spot or seize goods. Companies are left with little legal recourse since due process, including a right of judicial appeal, does not function.

Many laws are restrictive of and destructive to businesses. For example, current laws require that there be a minimum number of employees in each type of firm. In the Federation, a minimum of two employees must be registered for each company, whether or not the company is even functioning. This requires the payment of all employment taxes for these employees. In the construction sector the number of minimum employees is much higher, typically around twelve. This means a construction company is forced to pay wages and payroll taxes during the slow winter months. These employment laws discriminate against small firms and favour state-owned enterprises.

No small claims court exists, forcing business to wait for years as any legal suit winds its way through the regular court system. Upon the suit reaching court, the opposing party often bribes the judge. Many other regulations are confusing, contradictory, and open to interpretation by inspectors.

**Recommendation:**

The regulatory burden on business needs to be reduced by the following reforms:

- Create a multi-ethnic panel of local businessmen to review all existing economic regulations and propose changes;
- Curb the power of inspectors by removing their power to seize goods on the spot and shut down firms without due process;
- Create a cheap court system to handle small claims;
- Abolish laws on minimum number of employees.

**Benefits:**

- Business-friendly environment will increase economic activity and employment;
- Increased employment will accelerate refugee returns;

---

<sup>2</sup> e.g. sanitation, market, safety, environmental, customs, financial...