

III. PARTY CONTROL OF FINANCIAL STRUCTURES

Communism left behind a financial system designed to centralise control over money-flows. All public and private financial activities, including payment transactions, savings, tax collection, tax distribution, treasury functions, and private and public expenditures are controlled through a single institution known as a Payments Bureau (PB). In order to remove this control from party hands, the financial structure of Brcko must be transformed so that all three parallel PBs are eliminated, and a viable commercial banking system emerges to take its place. In addition, a unified Brcko municipal government must revitalise the currently under-utilised tax collection system. This section examines these problems in detail and suggests possible reforms.

A. Payments Bureaux: ZPP, ZAP, SPP

Founded in the mid-1950s as the SDK (*sluzba drustvenog knjigovodstva*), the PB acted under the direction of the League of Communists of Yugoslavia as a monopoly bank, conducting all payments transactions, collecting taxes, and controlling the cash flows of all companies, both private and public.

All told, the SDK carried out the following functions:

- 1) Treasury to government;
- 2) Treasury to public and private businesses;
- 3) Tax collection;
- 4) Payment transfers (banking);
- 5) Central Bank;
- 6) Collection of statistics;
- 7) Accounting service to all private and public enterprises.

During the war the SDK in Bosnia split into three separate organisations. The Sarajevo-based Bosniac organisation (ZPP), the West-Mostar-based Croat organisation (ZAP), and the Banja-Luka-based Serb organisation (SPP) all maintain similar operating procedures and perform similar functions.

The PBs' day to day activities remain essentially unchanged from the pre-war era. They collect all taxes and tax returns, conduct all public and private payments transactions, hold all private and public cash reserves, manage all governmental financial transactions, and collect all customs' duties. In essence, the PBs monopolise and control all financial assets in the country, including bank assets, which are also deposited at the PBs.

On a national level, businesses report high levels of corruption and fraud in the system. In addition, the PBs charge high fees, restrict a company's access to its funds on deposit, and work too slowly. Available evidence suggests that the PB system drives a substantial proportion of business activity underground so as to avoid government control over their cash flows and high government taxes. Private businessmen and military intelligence analysts now place the level of illegal (black) economic activity within the territory of the pre-war Brcko municipality at nearly 90% of total economic activity.

Today, elected political parties have replaced Communist party control, and so enjoy complete power over the PBs. The bureaux can be manipulated to do their bidding, launder their money, and fund their activities from profits and