

#### **IV. PARTY CONTROL OF THE ECONOMY**

Structural reforms of the current system need to be made if the economy is to flourish. Yet with such reforms it should be possible to create an economic zone conducive to business activity, a sort of Bosnian Hong Kong. Precedent exists within the former Yugoslavia for such a model. During the Markovic-era economic reforms (1989-1990), several Yugoslav municipalities took advantage of the new laws and reduced the regulations and taxes imposed on business. The few municipalities that did so attracted business investment from throughout the former Yugoslavia and the diaspora abroad: they enjoyed increased employment, higher tax revenues (at lower tax rates), and less business activity in the "black" economy. One of these municipalities was Laktasi (north of Banja Luka) under the guidance of its reform-minded mayor Milorad Dodik.

In order to create an economically attractive zone in Brcko, reforms are needed in business registration, business regulations, inter-entity trade, and the tax rates.

##### **A. Business Registration**

The current business registration process can take from six to twelve months, depending on the level of corruption and obstruction in the system. In the Federation, for example, registration requires approval from the Cantonal Court, Ministry of Defence, Ministry of Foreign Trade, Ministry of Finance, Statistical Association, PB and municipal government. A similar process is in place in RS.

This process is expensive, time-consuming and intimidating, even to a local resident who is a member of the majority ethnic group. For a minority returnee, it can be manipulated and prolonged, effectively denying him the opportunity to open his own business and earn a living. For potential returnees abroad, the expense of travelling repeatedly to Bosnia over a period of several months simply to register a business can be overwhelming. When entrepreneurial potential returnees see the level of bureaucratic obstruction in the local administration, this alone gives them good reason to stay away.

Registering a business also requires a detailed description of code numbers for the various business activities. It is common for a typical business to attach eight or nine pages of detailed business activities to its registration document. This requires the added cost of engaging a lawyer. In addition, there are no standardised forms or guidelines available to assist a potential businessman in registering his company. He must always engage a lawyer, at added expense.

Following the registration procedure, current laws require each business to maintain detailed documentation - as part of its registration documentation - regarding company administration, etc. The required paperwork strangles small companies and forces them to engage a lawyer.

##### **Recommendations:**

The Brcko Supervisor should change the current system of business registration. The new system should have the following characteristics:

- Timely (two days);
- Transparent;