

BRCKO:

A comprehensive solution

I. INTRODUCTION

The town of Brcko occupies a unique strategic point in Bosnia: it lies in a narrow passage which provides the only direct communication between the eastern and western parts of the Republika Srpska (RS); and that same narrow passage stands between the Federation and eastern Croatia. It is such a key location that the Dayton Peace Accords gave it neither to Republika Srpska nor the Federation. Rather, an Arbitral Tribunal would decide its final status at a later date (originally December 1996). The US lawyer Roberts Owen was appointed Presiding Arbitrator. The Tribunal met in February 1997 but failed to reach a final decision; so too in February/March 1998. Now the Tribunal is meeting again, and it is still not clear whether a final decision will be made. For now Brcko is governed by an international supervisor, Ambassador Robert Farrand, with extensive powers.

In both 1997 and 1998 ICG urged an immediate final decision, and a status for Brcko which gave it neither to the Federation nor to Republika Srpska¹. ICG still believes, for the third year running, that a final decision is necessary.

The cost of leaving Brcko as it is for yet another year would be a lost chance to make rapid changes for the better in at least one part of Bosnia, at a time when progress across most of the peace process is incremental at best. The International Community (IC) has so far failed to create the lasting structures necessary to implement the Dayton agreement and create a sustainable multiethnic society anywhere in Bosnia. After three years of hard work and the expenditure of billions of dollars in international aid, the IC has not changed a single major aspect of Bosnia's pre-war, Communist economic system - a system designed to ensure complete control by the ruling party over all economic, social, and political activity. Brcko offers an ideal laboratory for such change.

If the IC is to succeed in its mission in Brcko, and in Bosnia as a whole, it will have to free the economy and the flow of money from party control. Only then can it begin working with Bosnians in building the structures of a civil society and healthy economy which will survive its departure.

Brcko can be a beacon for the rest of Bosnia: this paper suggests how. Focusing first on the final territorial and legal status of Brcko, it then examines the financial sector (Payments Bureaux, banks, tax collection) and specific economic reforms (tax policy, business regulations, public sector firms), which will enable Brcko to attract foreign and domestic investment, while creating sustainable economic and job growth. Finally, it proposes integrating various municipal functions (police, courts, education, pensions, health care) into an effective, multi-ethnic unified administration, which will eliminate parallel institutions.

¹ See ICG reports *Brcko Arbitration: Proposal for Peace* of 22 January 1997 and *Brcko: What Bosnia could be* of 10 February 1998.