



international
crisis group

BRCKO: A comprehensive solution

EXECUTIVE SUMMARY

The Arbitral Tribunal on Brcko meets this month, and may or may not this time make its final decision, after postponements in 1997 and 1998. An award to either the Federation or Republika Srpska would provoke an extreme reaction: ICG advocates that a final decision should be made now, and that Brcko municipality should be reunited and made an autonomous district under the constitutional jurisdiction of the central government of Bosnia and Herzegovina.

Whatever the Tribunal decides, Brcko will remain under international administration for some time to come: this paper examines reforms which could be carried out in a future District of Brcko, in a way that would make a real difference and provide a testing-ground for possible models for Bosnia as a whole.

Different parts of Brcko are controlled by each of Bosnia's three main ethnic groups. Integrating their three sets of parallel institutions has failed so far because the primary levers of power and money are still in the hands of political forces whose influence is divisive rather than conciliatory. These levers include the financial infrastructure (control of money flows via Payments Bureaux), the economic infrastructure and public administration (police, local government, judiciary, media etc).

Assuming the Tribunal does settle the final status of Brcko, as a District of Bosnia and Herzegovina, ICG recommends that the Brcko Supervisor implements a series of simultaneous radical reforms over a 60-day period in the fields of finance, business and civil administration, including:

- Abolition of Payments Bureaux (ZPP, ZAP, SPP) and transfer of all payment functions to private banks;
- The establishment of strict banking criteria by an inter-entity task force from the USAID-supervised Banking agencies of both entities;
- The creation of a new local tax collection agency using former PB controllers;
- New three-man boards to run state- and socially-owned companies;
- Streamlining the business registration process to two days and automatic harmonisation of all business registrations at no cost to businesses;
- Reduction of the regulatory burden on business;
- Replacement of all current business taxes with an 8% VAT tax;