28th Report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina to the Secretary-General of the United Nations

1 January 2005 – 30 June 2005

SUMMARY

1. In the first half of 2005, Bosnia and Herzegovina moved closer to meeting the requirements which would allow the opening of negotiations with the European Union (EU) on a stabilization and association agreement and to become a member of the NATO Partnership for Peace. The attainment of formal relationships with the European Union and NATO was recognized by the Peace Implementation Council in June as one of the key indicators of progress which could permit the international community to phase out its executive role in civilian peace implementation and basic State-building in Bosnia and Herzegovina . Despite considerable progress across the reform agenda, Bosnia and Herzegovina did not reach either target during the reporting period. Despite fulfilment of the NATO military/technical criteria by the end of 2004, much-improved cooperation with the International Tribunal for the Former Yugoslavia during the first half of 2005 and the removal of certain systemic weaknesses in the country's law-enforcement and security structures, the outstanding condition for Partnership for Peace membership remains full cooperation with the Tribunal. At the time of reporting, several major indictees, including Ratko Mladić and Radovan Karadšić, remain at large. The adoption of legislation on public broadcasting and agreement on police restructuring in line with European Commission principles remained the outstanding conditions required by the European Commission Feasibility Study.

2. As a consequence of these blockages, Bosnia and Herzegovina risked falling behind all its neighbours on the road to Euro-Atlantic integration. The main role of the Office of the High Representative has focused on supporting the country's fulfilment of these conditions set by the European Commission and NATO and on its own mission implementation plan, which aims to enhance the operational capacity and effectiveness of domestic institutions. The Office of the High Representative has sought to support the efforts of Bosnia and Herzegovina institutions to take on ever greater responsibility for their own affairs. In order to encourage increasing local ownership and responsibility, during the reporting period the Office of the High Representative minimized the number of instances where it used the Bonn Powers in order to impose legislation.

3. The European Union military mission in Bosnia and Herzegovina (EUFOR) successfully built up a credible reputation from the beginning of its deployment, becoming a key partner in support of the European Union's political objectives and the mission implementation plan. A predeployment public information campaign, the early launch of robust operations, active field patrolling, local observation team activities, weapons collection and other operations to ensure compliance with the General Framework Agreement for Peace and to prevent anti-Dayton activities have ensured a seamless transition from the Stabilization Force (SFOR) to EUFOR.

4. The European Union Police Mission (EUPM) began preparing for the end of its current mandate and planning for a follow-on mission during this period. EUPM continued to support the local police in developing management hierarchies designed to improve command and control, while also assisting the State-level Ministry of Security, the State Investigation and Protection Agency and the State Border Service to boost their management and operational effectiveness.

5. The Police Restructuring Commission completed its deliberations on 15 December 2004 . Commission Chairman Wilfried Martens formally presented the report to Prime Minister Adnan Terzić and the High Representative on 14 January. The report set out a model for police reform based on the three principles endorsed by the European Commission, namely budgetary and legislative authority for policing lodged at State level; policing operations free of all political influence; and policing districts based on operational and technical criteria. After intensive lobbying, public campaigning and top-level political negotiations in the winter and spring (which resulted in revised proposals that had reflected, in particular, Serb concerns), late in May representatives of the Republika Srpska refused to agree to the proposed model police reform. Specifically, they rejected the fundamental principles endorsed by the

European Commission on which the reform was based, including the abolition of the Republika Srpska Police and that policing areas should where necessary cross the Inter-Entity Boundary Line. Both the Office of the High Representative and the European Commission have insisted throughout that the three principles of the Commission are not negotiable. By rejecting them, the Republika Srpska government, led by the Serb Democratic Party (SDS), blocked the opening of negotiations on a stabilization and association agreement for Bosnia and Herzegovina and chose isolation over integration.

6. Defence reform, however, proceeded apace. Against the odds, a general consensus was built and maintained that encompassed the elimination of entity competencies, the transfer of all defence responsibilities and personnel to the State, abolition of conscription, and the establishment of a restructured and small reserve force to back up the downsized professional army.

7. A monitoring group for the International Tribunal for the Former Yugoslavia was established at the beginning of 2005 to work on the 12 tasks set for the Bosnia and Herzegovina authorities by the Tribunal. Partly as a result of this, and the tough sanctions imposed by the High Representative in 2004, the attitude of the Republika Srpska towards cooperation with the Tribunal substantially improved. For the first time since the war, the Republika Srpska government arranged the surrender and transfer of several indictees to The Hague , as well as working with Belgrade to facilitate other —voluntary“ surrenders. It also mounted an advertising campaign urging the public to collaborate in ridding the Republika Srpska of this burden. Despite this progress, in the run-up to the Srebrenica anniversary, the continuing freedom of Karadzić and Mladić and other major Tribunal indictees is glaring.

8. The mandate of the Intelligence Reform Supervisor, Kalman Kocsis, was extended for a period of six months as the restructuring of the Bosnia and Herzegovina Intelligence and Security Agency continued in the fields of operations, analysis and administration. Appeals by more than 200 former employees, made redundant by the review process prescribed by the reform, were processed, while remaining members of staff were assigned to new positions.

9. The Office of the Registry for Sections I and II of the Court of Bosnia and Herzegovina and the Special Departments of the Prosecutor for War Crimes and Organized Crime and Corruption became fully operational on 1 January. The High Representative appointed the first group of judges and prosecutors, and trials of organized crime cases commenced.

10. As part of his effort to normalize Bosnia and Herzegovina and to hand over responsibility to domestic institutions, the High Representative decided in the spring to initiate a process of reviewing past decisions banning specified persons from participating in all political and public life. He lifted the restrictions on five such persons in May and June.

11. On the economic front, the Office of the High Representative continued to prioritize reforms designed to improve the business environment and to regulate the fiscal system in order to create a conducive environment for more jobs. These reforms also aimed to put the country on a more secure macroeconomic footing and to pave the way for eventual EU accession. Increasing economic stability was achieved during the reporting period, with the Bosnia and Herzegovina authorities assuming greater ownership. The Peace Implementation Council Steering Board welcomed, in particular, the establishment of the Fiscal Council of Bosnia and Herzegovina on 14 May and the extension of the mandate of the Fiscal Sustainability Working Group. Bosnia and Herzegovina moved closer to having a single economic (and fiscal) space.

12. The drafting of a law on salaries to provide a single system covering all State-level employees was completed in this period. The Republika Srpska continued, however, to obstruct the appointment of members to the State Property Commission, thus delaying the identification, distribution and regulation of public assets.

13. The unification of Mostar continued to progress in the first half of 2005. Cooperation between the moderate majorities of the main political parties started to show its effects as once ethnically divided institutions were unified, civil service appointments in line with the new civil service law were made, and a unified city budget was passed in June.

14. Efforts to ensure that Brcko District‘s multi-ethnic and democratic institutions are functioning effectively and permanently – and that the entities and State institutions respect the District‘s status as a self-governing administrative unit in consonance with the Final Arbitral Award – continued during the period. The Peace Implementation Council Steering Board welcomed in June plans to conclude an agreement between the Council of

Ministers and the District government that would afford the District appropriate representation at State level.

I. Introduction

15. This is my sixth report to the Secretary-General since assuming the office of High Representative in Bosnia and Herzegovina on 27 May 2002 . As has been the norm, it assesses progress made towards attaining the goals outlined in previous reports, as well as reviewing developments during the reporting period.

II. Political update

16. Despite considerable volatility on the domestic political scene, the international agenda in Bosnia and Herzegovina remained consistent over the first half of 2005. The overriding aim of the international community was to equip the Bosnia and Herzegovina authorities to pursue Euro-Atlantic integration and, in particular, to establish its first contractual relationships with both the European Union and NATO.

17. The opening of Bosnia and Herzegovina‘s negotiations on a stabilization and association agreement with the European Union depended on fulfilling the conditions that had remained unmet from the European Commission‘s November 2003 Feasibility Study. Of these, the two most prominent areas were police restructuring and public broadcasting. The Commission set out conditions for police reform that vested budgetary and legislative authority with the State, insulated the police from political interference and created local policing districts based on operational and technical criteria. However, Serb resistance to the European Commission‘s principles produced an ongoing stalemate. Repeated attempts to unblock the process through further negotiations and compromises were rejected. The Feasibility Study also required passage of public broadcasting legislation in line with European standards. At the time of reporting, Croat demands for an exclusively Croatian-language television channel were delaying adoption of public broadcasting laws.

18. The other main political objective was to meet the benchmarks set by NATO for Bosnia and Herzegovina to join the Partnership for Peace. The key to membership in the Partnership for Peace remained adequate cooperation with the International Tribunal for the Former Yugoslavia by the Republika Srpska, as the military/technical requirements for the Partnership had been met through adoption of the Defence Reform Commission recommendations. The Republika Srpska, in cooperation with Belgrade , engineered a new policy of negotiating —voluntary“ (and lucrative) surrenders by Tribunal indictees based mostly in Serbia . Ten Bosnia and Herzegovina indictees were transferred to The Hague during the first half of the year. While commending this progress, NATO took the view that cooperation would not be deemed satisfactory until the most wanted fugitives, Mladić and Karadšić, had been apprehended. Since their apprehension required regional cooperation with Belgrade and Podgorica to be successful, the emphasis in defence reform shifted from attaining early Partnership for Peace membership towards completing the full range of reforms necessary to make Bosnia and Herzegovina a credible candidate for full NATO membership – once the hurdle of the Tribunal had been cleared.

19. The progress of the Defence Reform Commission, led by chairmen Raffi Gregorian and Nikola Radovanović, the Bosnia and Herzegovina Defence Minister, has been impressive. The Commission continued to operate on the basis of consensus, notwithstanding the ambitious goals set in December 2004. Final agreement on the abolition of the entity armies and defence ministries and the model that will provide the country with an integrated and democratically controlled army at State level was reached during the summer, outside the time frame of this report. Moreover, it will take a couple of years before the new structure envisaged by the Commission is fully realized. The result, however, will be a NATO-compatible army far sooner than might have been expected.

20. Domestic politics remained volatile. The Republika Srpska government reacted badly to the measures which the High Representative, the United States and EUFOR announced following the refusal of NATO in December 2004 to admit Bosnia and Herzegovina to the Partnership for Peace. Both the Republika Srpska government and two of the four Serb members of the Council of Ministers resigned in protest. By mid-February a new government, now appointed openly by SDS , had been formed in Banja Luka and, by the end of that month, it seemed that all the State-level ministers had agreed to remain in their positions.

21. In April there was further instability following a number of indictments of political figures. Blockages in Bosnia and Herzegovina's State institutions followed the indictments of the Croat member of the State Presidency, Dragan Čović, and the State transport minister, Branko Dokić, for financial crimes allegedly committed when they occupied previous posts. The Office of the High Representative insisted that both men resign, upholding the principle that those in executive positions in the State should stand down on indictment in order to preserve the integrity of their offices. Dokić eventually complied, but Čović refused. International officials limited their dealings with him, but the High Representative decided to remove him from office at the end of March. The Croat Presidency seat remained vacant until 9 May, when the Parliamentary Assembly elected the Croat National Union (HDZ) candidate, Ivo Miro Jović, to the post. Čović was subsequently elected president of this main Croat nationalist party.

22. The next bout of political instability occurred as a result of the long-running failure of the Council of Ministers to agree on whom to appoint as the head of the State Investigation and Protection Agency (SIPA). Having complained for some time that the Serb members of Council of Ministers were blocking reform – in particular over the appointment of a Croat to the SIPA post – Prime Minister Terzić floated the idea of early elections. Terzić then asked the High Representative to make the SIPA appointment in order to unblock the Council of Ministers. The High Representative proceeded to appoint the best-qualified candidate (who happened to be the Serb applicant that Ivanić had supported rather than the Croat backed by most other ministers). Terzić responded by deciding on 7 June to accept the resignation which Foreign Minister Mladen Ivanić had submitted in December 2004 but informally withdrawn in February. The latter, however, refused to accept that his old letter of resignation had any validity, let alone that Terzić had the authority to dismiss him. Since the Office of the High Representative took the view that both Ivanić and Dokić should retain their portfolios until replacements could be agreed upon – and since Terzić could muster no consensus among the parties comprising the coalition for doing so – the Council of Ministers continued to function with its composition unchanged.

III. The European Commission Feasibility Study requirements

23. The successful conclusion in April of the Feasibility Study for Serbia and Montenegro left Bosnia and Herzegovina isolated as the only country in the region not to have a contractual relationship with the European Union. The EU Special Representative, in close cooperation with the European Commission, assumed a proactive role in explaining to the Bosnia and Herzegovina authorities and public that Belgrade had been required to meet tough conditions, including improved cooperation with the Tribunal and respect for the Constitutional Charter, before winning the European Commission's positive avis. Bosnia and Herzegovina now had to fulfil its conditions, including the contentious ones of police restructuring and public broadcasting reform, if it too were to get the green light to start negotiations on a stabilization and association agreement.

24. Following the EU/Bosnia and Herzegovina Consultative Task Force meeting on 19 and 20 May, the European Commission assessed the progress made by the Bosnia and Herzegovina authorities in meeting the 16 priorities identified in the Feasibility Study. While commending the efforts of Bosnia and Herzegovina in the areas of international obligations, human rights, energy, governance, trade and the establishment of a single economic space, the Commission noted that significant progress had not been achieved in reforming either the police or public broadcasting. The Commission also underscored the need for continued progress leading to full cooperation with the Tribunal.

25. The Commission also pointed to several other fronts on which further work was necessary. Four laws ensuring the legal and technical framework of the Indirect Taxation Authority still needed to be in place if value added tax were to be introduced on time in January 2006. Laws on customs violations, procedures for indirect taxation, the Indirect Taxation Authority itself and procedures for enforcing payments had not yet been passed by the Bosnia and Herzegovina Parliament during the period under review. So, too, were laws on the merger of the State and entity ombudsmen and the establishment of an information society agency awaiting adoption by legislators.

26. Thirteen required agencies or institutions had not been fully established, in most cases because they lacked directors or management boards. These included the food safety agency, the public procurement agency, the procurement review board, the market surveillance agency, the information society agency and the institutes for standardization, metrology and intellectual property.

27. On the other hand, the entities had made notable progress in harmonizing their legislation with State-level standards, particularly as regards the single economic space (laws on insurance), refugee return (entity laws on

refugees and displaced persons) and multi-year budget control. The passage of entity laws on conscientious objections and broadcasting awaited the prior adoption of the relevant State legislation.

IV. Inculcating the rule of law

28. The Office of the High Representative continued to work to strengthen the capacity of the Court of Bosnia and Herzegovina by recruiting and appointing international judges and prosecutors for the special panels on organized crime and war crimes. More significantly, the Office of the High Representative oversaw the transfer of almost all domestic legal staff from the Rule of Law Department to the Court. They joined the Prosecutor's Office and the Registry, both of which were slated to become wholly domestic institutions on an accelerated basis.

29. In parallel, great emphasis was placed upon strengthening the capacity of local prosecutors working at the district and cantonal levels. The Office of the High Representative provided technical support to link prosecutors throughout the country, enabling them to share experiences and strategies in dealing with the most difficult cases involving organized crime and corruption.

30. The Office of the High Representative continued participating, along with EUPM, in a working group on project management formed to enhance State-level law enforcement capacity by assisting the development of the Ministry of Security, SIPA, the State Border Service and Bosnia and Herzegovina Interpol. The Office of the High Representative also completed a survey of criminal and civil asset forfeiture laws in order to support efforts by the Ministry of Justice to find practicable solutions for dealing with the proceeds of crime.

31. The High Representative issued decisions placing two banks under the authority of a provisional administrator charged with overseeing their operations, analysing their transactions for evidence of fraud or other criminal activities and, where possible, recovering assets owed to the banks and their small depositors. The State Prosecutor indicted, tried and secured convictions of some persons implicated in the illicit operations of these banks. Further trials stemming from these cases remain likely.

32. The Office of the High Representative worked to facilitate contacts and cooperation both within the region and farther afield among legal assistance organizations, prosecutors and law enforcement agencies dealing with organized crime and terrorist networks. Such organizations include the South Eastern Europe Prosecutorial Advisory Group, the EU Judicial Cooperation Unit and other EU frameworks and bodies, Interpol, the Southeast European Cooperation Initiative Anti-Crime Centre and SIPA.

V. War crimes chamber

33. The first international Registrar responsible for the War Crimes and Organized Crime Chambers within the Court of Bosnia and Herzegovina took up his post early in the year. During the first three months of 2005, the War Crimes Project transitioned out of the Office of the High Representative and the Registrar assumed responsibility for the management and administration of the War Crimes Chamber. The Rule of Law Department convened and chaired a working group on extradition, tasked with proposing solutions to the myriad problems posed by requests to extradite citizens of neighbouring countries for war crimes trials in the Court of Bosnia and Herzegovina.

VI. Cooperation with the International Tribunal for the Former Yugoslavia

34. Both the Republika Srpska government and the authorities in Belgrade have made notable progress in improving their cooperation with the International Tribunal for the Former Yugoslavia since the last report. Of the 18 Bosnia and Herzegovina-linked fugitives wanted by the Tribunal at the beginning of 2005, 10 had been transferred to The Hague by the end of June. This is a significant, if long overdue, step forward by the authorities in the Republika Srpska and Serbia and Montenegro. On the other hand, the most-wanted indictees, Karadšić and Mladić, remained among the seven fugitives still on the Tribunal's list at the end of the summer. In the run-up to the Srebrenica anniversary, and with the airing by the Tribunal of a video showing a —Scorpion" detachment executing Bosniaks in the Srebrenica area in 1995, their continuing freedom is glaring. Only unremitting pressure on the Republika Srpska and Serbia and Montenegro can bring this utterly unacceptable situation to a close.

35. Spurred on by the Peace Implementation Council, Prime Minister Terzić and the High Representative established a high-level monitoring group for the Tribunal in February. The purpose was to ensure that all relevant ministries and agencies actually shared information and coordinated their activities. The momentum generated by their frequent meetings between February and April proved helpful in correcting most of the individual and structural flaws that obstructed cooperation with the Tribunal and hindered compliance with EU directives to which Bosnia and Herzegovina had signed up. A few such issues remained, but a less formal monitoring process looked likely to ensure their final resolution.

VII. Reforming the economy

36. The EU accession agenda continued to drive the country's economic reform programme. Unfortunately, the gulf between the expectations raised by the reforms and the benefits felt by ordinary citizens widened steadily. For this reason, reform fatigue has become almost palpable in Bosnia and Herzegovina. While most transition countries have experienced this phenomenon, the transition pains of Bosnia and Herzegovina have been compounded by the fact that the reform process has faltered and, on occasion, broken down completely amid national political infighting and institutional sclerosis.

37. Nonetheless, the Bosnia and Herzegovina authorities took some significant steps towards increasing intergovernmental coordination on fiscal matters. On 11 February the Working Group on Fiscal Sustainability was launched. Comprising a panel of experts from government and academe, its mandate was to advise on the means of achieving significant savings at all levels of government. This group was expected to produce concrete policy recommendations in time for the several governments' budgeting process, both for 2006 and beyond. Moreover, on 14 May the State and entity prime ministers and finance ministers established the Bosnia and Herzegovina Fiscal Council. A major task of the Fiscal Council will be to ensure that the consolidated budget of Bosnia and Herzegovina contains enough space to accommodate the funding needs of those institutions crucial to the country's security and its EU aspirations.

38. Efforts to reform and restructure the transport sector yielded concrete results when the Parliamentary Assembly passed the law on railways of Bosnia and Herzegovina in June. This law was a linchpin of a larger process of transforming the sector in accordance with the relevant European Commission directives and best international practice.

39. The reporting period also saw passage of entity enabling legislation on the registration of business enterprises. This legislation, in conjunction with the relevant State-level framework law, should provide a new business-friendly system for the registration of business enterprises in Bosnia and Herzegovina.

40. Progress in agriculture and the privatization of public enterprises lagged behind. Bosnia and Herzegovina still lacked a coherent agricultural policy. In order to help resolve this problem, the Office of the High Representative recommended that a working group responsible for the implementation of EU recommendations should be established. The Bosnia and Herzegovina authorities failed to act upon that recommendation during the period. Despite some individual privatization successes during the first half of the year, the overall privatization effort remained lacklustre at best. Fractured administrative responsibility for privatization, especially in the Federation, compounded the problem.

VIII. Strengthening the State Government

41. The Joint Action Plan for Staffing and Premises, which Prime Minister Terzić presented to the Peace Implementation Council in September 2004, continued to function with strong involvement on the part of the Office of the High Representative. The aim of this plan is to ensure that Bosnia and Herzegovina government ministries and agencies are staffed and housed in a manner adequate to implement the reforms adopted, as well as to develop the capacity required to proceed with European integration. The plan had two principal components, as described below.

42. The Commission for Premises Management, established in October 2004, identified a number of properties suitable to accommodate State institutions. It negotiated the use of these buildings with other levels of

government. It has also sought to reallocate offices to ministries in most urgent need of space and staff.

43. The Commission for Public Assets was charged with identifying criteria for distributing (or redistributing) public property between different levels of government in accordance with their responsibilities. It did not commence work during the reporting period. Only in June did the Republika Srpska government adopt a decision to nominate its three representatives on the Commission. In order to ensure that no public assets were sold off before a law on State property had been drafted, and thus to ensure that there was work for the Commission to do, the High Representative imposed a temporary ban on the sale of public assets on 19 March.

IX. Public administration and civil service reform

44. Public administration reform continued. All the outstanding European Commission-funded —functional reviews“ of the public sector in Bosnia and Herzegovina were completed and their results presented to the public during the reporting period. The National Public Administration Reform Coordinator, with the support of the European Commission, international donors and the Office of the High Representative, was charged with overseeing the follow-up. Public administration reform was also incorporated in the Bosnia and Herzegovina European Partnership Programme.

45. The Bosnia and Herzegovina Civil Service Agency, in close cooperation with the Office of the High Representative, prepared and lobbied for a number of amendments to the Civil Service Law with the overall aims of enhancing staff quality and speeding up the recruitment process. This —package“ also included amendments addressing deficiencies in the law that were discovered during its application. These amendments were adopted in June. The Office of the High Representative will monitor their implementation.

46. The Federation Civil Service Agency, which had been established with the support of the Office of the High Representative in 2004, has worked at full capacity since January 2005. During the reporting period it reviewed 1,214 civil service posts in 77 Federation bodies. The Office of the High Representative followed the work of the agency in order to exclude overt party patronage from the hiring process, meanwhile offering advice on human resources legislation and policy.

X. Defence reform

47. Defence reform made impressive progress in 2005 under the guidance of chairmen Raffi Gregorian and Nikola Radovanović, the Defence Minister of Bosnia and Herzegovina. The Defence Reform Commission‘s extended mandate for 2005 tasked it with tackling the systemic weaknesses that both NATO and the Tribunal had detected. The reform proposals recommended by the Commission and endorsed by both entity parliaments in mid-2005 corrected these systemic weaknesses, and affirmed the commitment and readiness of Bosnia and Herzegovina to participate in the NATO Partnership for Peace. The 2005 reforms should eventually enable Bosnia and Herzegovina to meet the military/technical criteria for full NATO membership – a declared foreign policy goal of Bosnia and Herzegovina.

48. Civilian control over the armed forces has been in place since 2003, with the Bosnia and Herzegovina Parliamentary Assembly providing strong and determined democratic parliamentary oversight. The legislation agreed by the Defence Reform Commission during the reporting period (but adopted by the entity parliaments thereafter) will mean that the entities cede their remaining defence responsibilities and institutions to the State on 1 January 2006. Full implementation of the reforms will mean a single, State-level Ministry of Defence with one budget for the armed forces, a joint staff, plus support and operational commands. The Bosnia and Herzegovina Presidency will thus exercise supreme command over a unified, downsized and fully professional Bosnia and Herzegovina army.

49. The phased implementation of the reforms is likely to take up to two years to complete. The Bosnia and Herzegovina Minister of Defence has been charged with leading a team of experts in coordinating this logistically challenging transition task. NATO is expected to continue providing both the assistance and advice needed to press forward. For its part, the Office of the High Representative aims to maintain the capacity to coordinate the political and institution-building aspects. The Organization for Security and Cooperation in Europe, EUFOR and the

United Nations Development Programme are also expected to play their allotted parts in what has been an amazingly successful joint venture, but one which will still pose complex challenges if it is to be fully realized.

50. On the other hand, the defence reform trajectory in 2005 has signalled the country‘s increasing determination and capacity to function without international oversight in this sphere. The new structure being established will help move Bosnia and Herzegovina from the Dayton to the Brussels eras, and should set the stage for concluding the military aspects of the Dayton-Paris peace accords in due course.

XI. Intelligence reform

51. Although intelligence reform commanded less international attention – and demanded less assistance – than did defence reform, the Office of the High Representative considered the reform of this sector as an integral part of the process to establish the rule of law in Bosnia and Herzegovina. Without it, reform of the entire security sector would have been incomplete.

52. Since its establishment on 1 June 2004, the Intelligence and Security Agency has focused on threats to the security of the State. The Agency has no police powers, but is legally obliged to collect, analyse and disseminate intelligence on various categories of organized criminal activity. The Agency therefore represents an essential complement to the country‘s law enforcement agencies in the fight against terrorism, corruption and organized crime.

53. Thanks to competent and accountable domestic management and wise supervision by the Executive Intelligence Committee, intelligence reform progressed substantially during the period under review. The Office of the High Representative will continue to monitor future developments, more especially as it will take some time yet for a fully professional and mature agency to emerge. In any case, the irreversibility of the reform and consolidation now taking place in this sensitive sector will only be obvious after some years have passed. The Office of the High Representative remained encouraged, however, by the responsible and ambitious approach of the Bosnia and Herzegovina authorities to establishing a functional and responsible intelligence agency.

XII. The European Union military mission

54. The transfer of authority from SFOR to EUFOR took place on 2 December 2004. The need to prepare the Bosnia and Herzegovina public and governments for this historic change was recognized from the start of planning for Operation Althea, as was the importance of ensuring a seamless transition and demonstrating from the start that EUFOR would possess a mandate as robust as that of the outgoing NATO-led force. Bosniaks in particular required reassurance on this score, while it was vital to convince everyone that the distinct mandate and European provenance of EUFOR implied a step forward in the country‘s aspirations towards EU integration.

55. Pre-launch public information campaigns, designed and run by the EU Special Representative‘s press team in cooperation with the EU Planning Team and NATO/SFOR, helped ensure that Operation Althea was widely understood by the time the transfer took place. The emphasis placed on the European Union‘s deepening commitment to Bosnia and Herzegovina appears to have been well received.

56. The early operations of EUFOR, starting with Operation Stable Door 1 only a fortnight after the handover, and continuing with the three-part Operation Spring Clean, were vital in demonstrating that EUFOR was serious, capable and intent upon making a difference on the ground. While the seamless transition from SFOR sent a message of continuity, initial and ongoing activity of EUFOR in support of civilian implementation, especially in support of EU objectives, signalled a fresh approach.

57. EUFOR currently comprises some 6,200 troops from 22 EU member States and 11 third countries 2. The force is deployed throughout Bosnia and Herzegovina, with three regional multinational task forces and headquarters in Sarajevo. It has continued to conduct operations in Bosnia and Herzegovina in line with its mandate to ensure compliance with its responsibilities under annexes 1a and 2 to the General Framework Agreement for Peace and to contribute to the maintenance of a safe and secure environment. The multinational task forces conducted a variety of operations, including —presence patrolling“, local observation team activities, weapons collection, specific

operations to ensure compliance with the Framework Agreement and to prevent anti-Dayton activities, and information campaigns designed to complement all other activities.

58. EUFOR has also been proactive in conducting a series of coordinated operations to support the mission implementation plan as well as the domestic authorities and law enforcement agencies. Several EUFOR operations were targeted at organized crime and led to prosecutions. The Bosnia and Herzegovina policing agencies have latterly taken the lead in proposing and planning such operations.

59. The strong start made by EUFOR helped it quickly to build the sort of reputation required to back up the political objectives of both the European Union and the Office of the High Representative. The EU Council of Ministers is scheduled to meet in November to discuss the second EUFOR mission review and agree on the mandate and force structure for 2006.

XIII. Mostar

60. The programme to unify the city of Mostar made significant progress, despite the complexity of the project and the continued obstruction by hardliners on both sides. The newly elected mayor pressed on with making civil service appointments according to the EU standards enshrined in the Federation's new Civil Service Law. The aim was to create the core of a genuinely multi-ethnic city administration, appointed without political interference, which would be a first for Bosnia and Herzegovina. Several city institutions were structurally unified and, where delays persisted, these were mostly the result of legal or technical problems rather than political disagreements. In the face of severe financial pressures, a city budget was finally passed in June and a major effort commenced to recover several million euros worth of uncollected revenues inherited from the former city municipalities.

61. Economic and infrastructure development was also significant, with an upsurge in tourism. The airport reopened to both scheduled and charter flights, while hotel redevelopment got under way. A Federation-level agreement on the long-disputed ownership of the nationally vital firm Aluminium Mostar opened the way for its major expansion. The long-stalled plan to move several Federation government ministries from Sarajevo to Mostar inched forward during the period. Their eventual transfer should provide a further boost to the city and its economy. Major works on public and commercial buildings, accommodation for returning displaced persons and improvements to the transport infrastructure also progressed.

62. Several major tasks remained, particularly the politically sensitive reunification of the city's cultural institutions. However, substantial completion of the main phase of implementing this project should be achieved by the end of 2005. The Mostar Implementation Unit is therefore scheduled to close on 30 November. The Office of the High Representative regional office should be able, however, to offer any active support that the mayor and city council might need in finalizing uncompleted elements of the unification programme.

XIV. Brcko

63. Brcko District of Bosnia and Herzegovina celebrated its fifth birthday in March. It did so with its first popularly elected assembly and government in place, with a well-deserved reputation for having one of the most effective, multinational and business-friendly administrations in Bosnia and Herzegovina, and with the thoughts of the Office of the High Representative turning increasingly towards completion and closure.

64. Only a few items stemming from the Arbitral Tribunal's 1999 final award remained to be completed. The most important of these concerned the elimination of the residual legal traces of the former Inter-Entity Boundary Line in the District. This means, in effect, the harmonization of laws and regulations inherited from the two entities and three former municipalities. Once this and a handful of other tasks have been accomplished, the international Supervisor should be able to report fulfilment of the final arbitral award to the Tribunal and recommend closure of the Brcko Final Award Office to the Peace Implementation Council.

65. Before this can be done, however, the Supervisor and the District government have sought both to clarify the District's prerogatives vis-à-vis the State and to establish a relationship with the Council of Ministers that would ensure the permanence of Brcko's self-governing status under the terms of the final award when the supervisory

regime is terminated.

66. Meanwhile, efforts continued to put relations between the State and Brcko District on a firm footing. This included establishing a Brcko District office within the Bosnia and Herzegovina Council of Ministers and securing access by the District authorities to the Bosnia and Herzegovina Parliamentary Assembly and Constitutional Court. The latter two objectives are likely to take even longer to achieve. OHR had hoped that a political agreement between the Council of Ministers and Brcko District might render the legal process before the Tribunal largely irrelevant, providing the District with guarantees that its views would be considered and its legitimate interests protected by the State-level executive.

XV. Bosnia and Herzegovina and the region

67. While relations between Bosnia and Herzegovina and its neighbours remained cordial overall, some key peace implementation issues remained unresolved. The country's borders with both Croatia and Serbia and Montenegro were still undefined by treaty, 10 years after Dayton. In addition, access to Croatia's Adriatic port of Ploce remained unsettled. The High Representative asked the Steering Board of the Peace Implementation Council for permission to remove these issues from his mission implementation plan and to suggest, instead, that member States should follow them up in their bilateral relations with Croatia and Serbia and Montenegro. International leverage appeared necessary to clear these deadlocks, which were not primarily of Bosnia and Herzegovina's making. International pressure also remains critical to ensuring that fugitives from the Tribunal from Bosnia and Herzegovina who are at large in neighbouring or distant countries should be brought to justice. Their continuing liberty still bedevils efforts to normalize political and human relationships in Bosnia and Herzegovina.

68. Finally, developments in the wider region will doubtless impact upon Bosnia and Herzegovina over the next few months and years. The issue of the final status of Kosovo has already had an effect in the country, as illustrated by the statement by Serbia and Montenegro Foreign Minister Vuk Drałković in June that independence for Kosovo would inevitably raise questions about the status of Republika Srpska within Bosnia and Herzegovina. Javier Solana and United States Under Secretary of State Nicholas Burns joined the High Representative in condemning this attempt to question the territorial integrity of Bosnia and Herzegovina, especially coming from a statesman representing a signatory of the Dayton accords. It is likely, however, that as the issues of Kosovo and the future of the State union of Serbia and Montenegro come to dominate regional politics, supposed links between these questions and the future of Bosnia and Herzegovina will be suggested again in Belgrade, Banja Luka and beyond. They should be strongly refuted.

XVI. The European Union Police Mission

69. The Mission began planning both for the expiry of its current mandate and for a follow-on mission during the reporting period. A quality control and evaluation process was established to review progress towards the mission's four strategic priorities:

• Institution and capacity-building

• The fight against organized crime and corruption

• Financial viability and sustainability of local police

• Developing police independence and accountability.

70. EUPM continued assisting in developing a hierarchy of domestic decision-making, from the political level down to the local police unit. Key bodies are the reestablished Ministerial Cooperation Council on Police Matters and the Police Steering Board. The Mission further advised on the creation of countrywide project implementation boards.

71. The Ministry of Security developed during the first six months of 2005, recruiting additional personnel and establishing operational sectors. During this period, the Minister took over the chairmanship of the Ministerial Cooperation Council on Police Matters, the aim of which is to improve cooperation between and among different police agencies. The Ministry also chaired a working group that aimed to define the country's security policy and,

in turn, produce draft legislation, strategies and plans.

72. The State Investigation and Protection Agency (SIPA) finally found temporary accommodation in Sarajevo during the reporting period. Planning to secure permanent facilities continued. As at 1 July, SIPA had 613 staff members (out of a projected complement of 1,000). Bosnia and Herzegovina was invited in June to join the Egmont Group of States, a worldwide network connecting law enforcement agencies combating money-laundering. EUPM transferred the —Crime Hotline“ operation to SIPA on 30 March. Like other efforts to build criminal intelligence capacity, this was an example of the programmatic approach adopted by EUPM.

73. The State Border Service (SBS) celebrated its fifth birthday in June 2005. Concerted efforts by EUPM and SBS itself have resulted in improvements in its management culture and operational effectiveness. Difficulties in identifying a suitable candidate for the long-vacant SBS directorship, combined with disagreements among the ruling parties over which constituent people should get this job, persisted over the reporting period. SBS also suffered from tight budget constraints and staff shortages. The service has, however, registered some successes. For example, a joint SBS-EUFOR operation led in April to the seizure of 123 kilograms of heroin, the largest ever drugs haul in Bosnia and Herzegovina.

74. Bosnia and Herzegovina Interpol developed into a fully equipped and functional national office, with good contacts with both the Interpol General Secretariat in Lyon and partners throughout the region. Technical agreements between Interpol Sarajevo and entity and State-level law enforcement agencies have been signed. International community donations continue.

XVII. Police certification

75. A significant number of former police officers denied certification by the International Police Task Force (IPTF) before 2003 asked EUPM to review these decisions during the first half of 2005. As no legal appeal remedy exists – and no policy for possible review of certification decisions in certain cases has yet been formulated – complaints could only be lodged and logged.

76. Some of these ex-police officers challenged their failure to win IPTF certification before the courts during the period. EUPM monitored the court proceedings and verdicts. In cases where the courts ruled in favour of the complainant, EUPM advised local police authorities to appeal the decision. The Federation Supreme Court later issued a ruling that sets a precedent for similar cases when it declared that negative IPTF decisions on certification were inviolable. This verdict upheld the supremacy of the certification procedure over domestic law.

77. Owing to efforts by the Office of the High Representative and EUPM, Bosnia and Herzegovina legislation now stipulates that all police officers denied certification (or whose provisional authorization was withdrawn) must be dismissed, thus providing a solid legal basis for decisions by both the local authorities and the international community.

XVIII. Media development

78. The reform of the public broadcasting system continued to trail behind other reforms required by the Feasibility Study. On 1 February the Council of Ministers adopted and improved the draft public broadcasting system law, which provides for the creation of a common system made up of three multi-ethnic services, broadcasting in all three official languages. Although the Bosnia and Herzegovina House of Representatives passed the public broadcasting law on 18 May, HDZ, persisting with its demand for a separate Croat-language channel, invoked —vital national interest“, so sending the law to the Constitutional Court for review. The Constitutional Court rejected this appeal, but the law remained stalled in the upper house beyond this reporting period.

XIX. The mission implementation plan

79. Since the first mission implementation plan in 2003, two core tasks have been declared complete, leaving four, namely, entrenching the rule of law; reforming the economy; institution-building; and defence reform. Significant

progress was made on all fronts in 2005, but in June 2004 the Peace Implementation Council noted some slackening in the completion of tasks. The primary causes were Republika Srpska obstruction of police restructuring and the relative dysfunction of the Council of Ministers that has been noted above.

80. To address this slowdown, the Office of the High Representative instituted a new system to promote progress on the mission implementation plan. For each outstanding item, the Office commissioned a detailed action plan containing a critical path to the item's completion, including who would be responsible for action on the item, and when. The action plans should allow better calibrated monitoring of items in real time, and alert the High Representative and his deputies to any blockages that might arise. This should enhance their ability to engage proactively to overcome such obstacles.

81. As reported above, the High Representative also asked the Peace Implementation Council to remove four subprogrammes related to regional stability and cooperation, transferring these to States members of the Council for bilateral action.

82. At the time of writing, there were 70 items of the mission implementation plan outstanding. These were spread throughout core tasks of the Office of the High Representative: entrenching the rule of law (19); reforming the economy (18); institution-building (31); and defence reform (2). While a number of items had fallen behind schedule, most of the target dates in the approved action plans remained within the current calendar year. Only eight plans have seen their target completion dates extended from 2005 into 2006.

XX. Reporting schedule

83. In keeping with my proposal to submit regular reports for onward transmission to the Security Council, as required by Security Council resolution 1031 (1995), I aim to present my next – and last – report in January or February 2006. That report will cover the period from 1 July until the end of my mandate. Should the Secretary-General or any Security Council member require information at any other time, I would be pleased to provide a written update.

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1 – This operation inspected underground military facilities in Bosnia and Herzegovina, including the bunker near Han Pijesak where Mladić was suspected of sheltering in summer 2004.

2 – Member States contributing to EUFOR: Austria, Belgium, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and United Kingdom. Non-EU contributors: Albania, Argentina, Bulgaria, Canada, Chile, Morocco, Norway, New Zealand, Romania, Switzerland and Turkey. Cyprus and Malta also contribute to the costs of the operation.