

# **Report to the European Parliament by the OHR and EU Special Representative for BiH, June - December 2004**

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### **Summary**

In its tenth year of Dayton/Paris implementation, Bosnia and Herzegovina (BiH) continued to move closer to its objectives of European and Atlantic integration, though much remains to be done.

In the reporting period OHR continued to support the BiH institutions' efforts to take on greater responsibilities, focussing on the core reforms required to fulfil the Mission Implementation Plan (MIP). Towards this end, the OHR's priorities over the past 6 months focused on improving the operation and effectiveness of BiH's governing institutions. The OHR's draft MIP for 2005, submitted to the Peace Implementation Council contains 108 items to be completed, 102 of them before end-2005.

The European Commission (EC) Feasibility Study conditions for opening negotiations on a Stabilisation and Association Agreement with BiH dominated the political developments in the second half of 2004. The BiH authorities made steady progress towards fulfilling the legislative requirements in the reporting period, while implementation lagged behind. Significant progress was still needed in key areas such as ICTY co-operation, tackling crime, and improving the economy.

Despite remarkable progress in defence reform, placing the armed forces under state control and fulfilling almost all NATO's military reform benchmarks, BiH failed to make the cut for PfP-membership. Full co-operation with the ICTY remained the overwhelming stumbling block. Both the ICTY Chief Prosecutor and NATO Ministers cited fundamental systemic weaknesses built into BiH's law enforcement security structures as a central part of the problem.

BiH's failure to meet the requirements for PfP, and the Republika Srpska's special responsibility in this regard, prompted the OHR and the United States to launch a series of further sanctions, following those that ensued after the NATO Istanbul Summit. EUFOR launched a parallel supporting operation. The sanctions aimed to curtail war criminal support networks within the BiH and RS security structures and address systemic weaknesses.

The Council of the European Union decided on 12 July 2004 to launch a military operation in BiH in the framework of the European Security and Defence Policy (ESDP), succeeding SFOR. This military operation - named EUFOR / ALTHEA - was launched on 2 December 2004. Its main objectives included:

- a) to provide deterrence, continued compliance with the responsibility to fulfil the role specified in Annexes 1A and 2 of the Dayton/Paris Agreement (General Framework Agreement for Peace in BiH); and
- b) to contribute to a safe and secure environment in BiH, in line with its mandate, required to achieve core tasks in the OHR's Mission Implementation Plan and the Stabilisation and Association process (SAP).

The OHR continued to work on building the capacities of the State Court during the second half of 2004. In the reporting period OHR closely with the ICTY and the appropriate BiH Authorities to establish the necessary institutions for the domestic trial of war crimes in BiH by establishing a special department for war crimes within the State Prosecutor's Office and a special chamber for war crimes within the State Court.

Since the adoption of the laws establishing SIPA in July 2004, the agency has moved towards full operationalisation. In the second half of 2004 SIPA became the primary agency in BiH responsible for compiling and analysing information from financial transactions in order to initiate appropriate criminal investigations.

The High Judicial and Prosecutorial Council came into being as a state-level institution on 1 May 2004. In the reporting period, the HJPC finalised its process of re-appointing all judges and prosecutors at all levels in BiH.

Almost 1,000 vacancies were advertised.

Noteworthy progress was made on economic reform as well, with the BiH authorities assuming increasing ownership. The BiH authorities made significant progress towards implementing a single set of tax rules, applicable throughout the country. In the final quarter of 2004 a remarkable success was achieved in re-balancing of the BiH governments' budgets. December 2004 also saw the adoption of entity budgets for 2005. BiH moved closer to the establishment of a single economic space.

The establishment of the Intelligence-Security Agency (OSA) proceeded as foreseen in the transitional provisions as set forth in the Law on OSA.

At Prime Minister Terzić's initiative, a Police Restructuring Commission (PRC) was established in July with a mandate to propose "a single structure of policing for Bosnia and Herzegovina ." The PRC delivered its report in January, recommending that policing should be an exclusive state competence, including legislative and budgetary functions. Implementation of the PRC's recommendations will be a top priority in 2005.

Significant progress has been achieved in unifying the city of Mostar . Ljubo Beslic was elected in October as the first mayor of a unified Mostar. The process of joining ethnically divided institutions has begun, and a degree of cooperation between the moderate majorities of the main political parties has started to emerge.

In a historical development, Mostar's Stari Most, or Old Bridge , was re-opened on 23 July; in attendance was European Commissioner Patten, the Netherlands 's Minister of Foreign Affairs Bot, EUSR Lord Ashdown and other international and local dignitaries. The Bridge has long been a symbol of Bosnia and Herzegovina 's multi-ethnic society. Its destruction by Croat forces in November 1993 graphically illustrated how relations between BiH's Muslims, Serbs and Croats had unravelled. The bridge was reconstructed using the same methods and materials, which the original Turkish architects employed nearly 500 years ago.

## **Political developments**

The reporting period saw the first municipal elections to be administered wholly by local institutions, in October 2004. The elections were well organised, even if characterised by a relatively low (45 %) turnout.. In the Federation, the predominantly Muslim SDA maintained its position as the lead party amongst the Bosniak parties, both in terms of number of votes and vote share; the predominantly Croat HDZ pulled off a solid victory as well. In the RS, the SNSD (led by Dodik) emerged as a relative winner gaining a higher number of votes than the SDS for the first time. The SDS ended up forming a Government together with the PDP.

The period immediately after the elections saw an increase in tensions between the parties of the Federation government. Relations between SBIH and SDA were particularly strained but, following some public posturing, SBIH agreed to stay in government.

Across both Entities, and irrespective of ethnicity, the direct election of mayors saw a higher vote for individual candidates than for political parties.

During the final months of 2004, the RS leadership showed signs of recognising that the International Community's determination to ensure full ICTY co-operation would not diminish.

In late October the RS Government adopted the Srebrenica Commission's final report, acknowledging for the first time the crimes committed by the RS Army in Srebrenica in 1995. Significantly, the RS Presidency offered an apology as part of its response to the Report. The IC lauded this step and called on the RS to bring those guilty of war crimes to justice.

In addition RS Special Police arrested eight Bosnian Serbs on suspicion of war crimes, although they were not ICTY indictees. The warrant was issued by the Sarajevo Cantonal Court . Although these signs were deemed positive, BiH failed to meet the benchmarks required for entry into PfP for a second time.

Subsequent to that, the OHR and the United States launched a series of measures aimed at removing individuals involved in helping war criminals and their networks from the BiH security system and addressing the systemic weaknesses of the RS's security institutions. EUFOR conducted a parallel supporting operation to inspect

underground VRS bunkers allegedly used to hide General Mladic and other PIFWCs

The measures included:

- The removal of 9 officials believed to have helped war criminals and their networks.
- The blocking of bank accounts of individuals for the same reasons.
- An instruction to RS Prime Minister Dragan Mikerevic to set up a group under the supervision of the EU Police Mission to study documentation produced by the Srebrenica Commission and identify those officials whose names appear in connection to the events of July 1995. The working group completed its work, presenting its report to the High Representative on 31 March. A decision will be taken in the coming weeks. The BiH Prosecutor has also received this report.
- A request to BiH Defence Minister Radovanovic to investigate the assistance given by some in the RS Army to fugitives at large and to suggest concrete measures to prevent this happening again.
- An acceleration of Defence Reform. Functions currently carried out by the Entity MoDs must be transferred to the State MoD, and the Entity MoDs closed down. This process should be completed by the autumn of next year.
- The creation of a single system of policing as recommended by the Police Restructuring Commission, in accordance with the EC criteria laid out in its Feasibility Study. These reforms should also be adopted early next year.
- An amendment of the RS Law on Auditing to the payment provisions in the RS Law on Auditing and Public Sector of Republika Srpska to ensure that it will be possible to fund special audits of key companies in coming months and years. Six companies have already been identified. These are RS Telekom, RS Post, Elektroprivreda RS, RS Railways, Oil Refinery Brod, RS Post and Srpske Sume.
- An amendment to the BiH and Entity Criminal Codes to require all family members except the spouses, parents and children of the accused to co-operate with police investigations and to give evidence in war crimes trials.

In response to these measures, PDP ministers at RS and BiH level (including the RS Prime Minister and the BiH Foreign Minister) submitted their resignations (the Foreign Minister subsequently withdrew his resignation). RS President Dragan Cavic convened all Serb-dominated parties talks on the way forward and in December the heads of 6 Serb-based parties signed an Agreement that *inter alia* confirmed the RS's commitment to tackling the ICTY issue. Eventually, in January 2005, RS authorities transferred their first ICTY-indictee to The Hague .

### ***Mission Implementation Plan***

The 2004 MIP contained 4 core tasks, made up of 26 programmes. Of the 26 programmes, 4 were completed in full: Reinforcement of the Rule of Law by Dislodging Obstructionist Networks from Key Institutions; BiH State Management of Identity Documents; BiH Parliamentary Oversight over the Armed Forces; and BiH Security Policy. Approximately 50% of all items contained in the 26 programmes were completed at the end of 2004, within the set deadlines.

A draft revised MIP has been submitted to the Peace Implementation Council containing 102 items to be completed by the end of 2005. A further six items (five by February and one item – *Oversee first phase of local police demobilisation* – by December 2006) are targeted to be completed in 2006.

The revised MIP will reflect six core institutional priorities necessary to set BiH irreversibly on the path to self-sustainability: Council of Ministers (CoM); Indirect Taxation Authority (ITA) and VAT; State Court and Prosecutor's Office; Police Reform; Intelligence Reform; and Defence Reform

## ***Entrenching the Rule of Law***

The OHR continued to work on building the capacities of the State Court during the second half of 2004. OHR's Rule of Law team supervised the recruitment of international judges and prosecutors for the Special Panel on Organised and Financial Crimes within the State Court. OHR also played a crucial role in creating a domestic capacity for trying war crimes, through the establishment of a Special Department for War Crimes within the State Prosecutor's Office and a special chamber and a Registrar's Office in the State Court. Enabling legislation and international agreements were enacted in the final months of 2004, following nearly two years of intensive preparations and fundraising. The ICTY President and Chief Prosecutor and their teams played an invaluable role in bringing this to fruition.

Efforts to develop a sound anti-money laundering programme have progressed as well. After the adoption of the new Law on Prevention of Money Laundering and the establishment of SIPA with a Financial Intelligence Department (FID), SIPA became the primary agency in BiH responsible for compiling and analysing information from financial transactions in order to initiate appropriate criminal investigations.

Long-standing efforts to develop the means to seize assets acquired through or used in criminal activities resulted in the drafting of a law to be enacted at state level in order to make such a sanction available to the state prosecutor. This law is currently being reviewed and considered by a working group created by the Minister of Justice.

The creation of the State Court and the State Prosecutor's Office and the arrival of international judges and prosecutors to help staff them enabled OHR to dissolve its Rule of Law Pillar on 1 October 2004, and replace it by a substantially reduced Rule of Law Department. The OHR's Anti-Crime and -Corruption Unit (ACCU) was able to reorganise its work as well, leaving the primary responsibility for investigating, prosecuting and trying most major cases of organised crime and corruption to these new bodies. The adoption of new criminal procedure codes at state and entity levels meant that prosecutors, rather than judges or police officers, were now leading local investigations. ACCU investigators and prosecutors continue to assist international and local prosecutors and law enforcement officials at the state, entity and cantonal levels in their work.

The OHR's Rule of Law Department continues to work closely with the EUPM, the European Commission and other partners to position SIPA as a full-fledged, state-level police agency with the resources and authority to combat organised and international crime, corruption and terrorism. Since the adoption of the laws establishing SIPA in July 2004, the agency has moved quickly towards full operationalisation. By the end of the year, SIPA had recruited nearly 30 percent of its staff and made operational its Departments for Criminal Investigations, Financial Intelligence, Witness Protection and War Crimes. In November, with the assistance of SFOR, SIPA arrested a person indicted for war crimes by a domestic court. This was the first such operation involving the state-level police force. Moreover, SIPA's criminal inspectors have been assisting the Prosecutor's Office in a number of financial and organised crime cases. SIPA was expected to achieve full capacity by end-2005.

BiH still lacked modern criminal intelligence capabilities. This deficiency seriously impaired its ability to deal effectively with organised crime and corruption. The OHR's Criminal Intelligence Unit (CIU) began work in 2004, with SIPA and its EUPM advisers, to develop this capacity within the Criminal Investigations Department (CID) and to transfer CIU technology to the relevant BiH authorities as it matures.

The state, entity and Brčko District governments agreed in early 2004 to form a single High Judicial and Prosecutorial Council (HJPC) to serve them all. Although the new HJPC has no formal relationship with OHR, it will continue to work closely with the Rule of Law and Legal Departments on issues of common interest.

The HJPC-led process of re-appointing all judges and prosecutors at all levels in BiH required a massive effort, spanning most of the year 2004. Almost 1,000 vacancies were advertised. Over 1,700 applications were received and reviewed. Candidates were vetted in a procedure that included thorough background investigations. More than 900 candidates were interviewed. The result was the appointment (or reappointment) of 877 judges and prosecutors. Only those positions for which the number and calibre of candidates were inadequate remain to be filled.

The problem of judicial salaries remains troublesome. Judicial salaries are grossly disproportionate to salaries of other government officials. In many instances, judicial salaries consume as much as eighty or ninety percent of the entire court budget, rendering the courts literally unable to pay their operating expenses and resulting in the

complete dysfunction of the courts. OHR has worked with the HJPC to redress this problem. A solution should be possible during early 2005.

BiH continued to struggle to provide adequate prison facilities that met international humanitarian standards. Although pre-trial confinement facilities had been constructed as part of the war crimes project, state-level facilities were still missing for the confinement of those convicted by the State Court. Thus far, this problem had been addressed by detaining State prisoners in Entity penal facilities. These Entity facilities were reaching capacity, however, and the manner in which they were maintained and operated had given rise to serious human rights concerns. A failure to identify local and international funds to create of new penal facilities could severely constrain work of both the Special Chamber for War Crimes and the Special Chamber for Organised Crime, Financial Crime and Corruption unless it is resolved.

## ***Reforming the economy***

The BiH economy will soon begin to experience benefits from the various legal, fiscal and structural reforms undertaken in recent years. Domestic authorities and the non-governmental actors are assuming increasing ownership, particularly in the areas of fiscal reform and improvement of the overall business environmental.

During the reporting period, the BiH authorities made significant strides towards implementing a single set of tax rules, applicable throughout the country. In December, state-level laws on sales and excise taxation were passed. Hence, for the first time since the signing of the GFAP in 1995, the same indirect tax rates, rules, enforcement regulations and collection system will operate across the whole country. At the same time, the problem of double taxation within the territory of BiH has been abolished. The passage of the Single Account Law will mean that all customs tariffs, excise and sales tax revenues will go into a single account from January 1, 2005. This not only paves the way for the smooth introduction of the Value Added Tax in January 2006, but also provides for a more stable means of financing the state-level government of BiH.

The final quarter of 2004 witnessed a remarkable success in rebalancing the BiH governments' budgets. The new budgetary arrangements for 2005 will see a great bulk of the public revenues being collected into a single account before being re-apportioned in accordance with an agreement concluded in December between the state and entity finance ministers, with the IMF's approval.

Further important steps have been taken to complete the establishment of a single economic space and create a level playing field for all businesses. The state-level Law on Public Procurement was adopted in autumn. The new BiH Law on Accounting and Auditing will, *inter alia*, put in place a uniform set of international accounting and auditing standards. These changes will improve the reporting standards of BiH companies and hopefully make BiH more accessible and attractive to foreign investors.

Longstanding efforts to reform and restructure the transport sector continue to yield mixed results. Although progress was made in civil aviation, circumstances beyond BiH authorities' and the OHR's control limited the scope for further improvement. BiH's civil aviation sector continues to lose millions of Euros per year in over-flight fees due to the continued closure of the air space over Kosovo.

Ever since the 1992-1995 war, the European electricity sector has been divided into two grids – with the border running through BiH. On 10 October, an historic event took place when these two grids were finally reconnected. Thus physical reconstruction and institutional reform in BiH came together to help re-create the biggest synchronous electricity supply zone in the world.<sup>[1]</sup> Further ongoing reforms in the energy sector in BiH should result in the compliance with the EU Electricity Directive, creating the basis for a functional regional energy market.

The BiH State Veterinary Border Inspection Service was launched in November, with the OHR's assistance. This will create new opportunities for BiH producers to export their agricultural products. Given that the overwhelming proportion of BiH citizens' livelihoods depends on farming and food processing, this is a significant achievement.

Alarming patterns of mismanagement, incompetence and political gerrymandering persisted in publicly owned companies in the RS. Therefore, in December, the High Representative changed key legislation, requiring

compulsory special audits of such companies. In response, both Entity governments committed themselves to implementing reforms aimed at improving management practices and eliminating endemic corruption. The passage of the BiH Law on Public Procurement in September put in place uniform procurement regulations for all levels of government, in line with the EU's *acquis communautaire*.

### **Strengthening the capacity of BiH's governing institutions, especially at the State-level**

On 24 September 2004 PM Terzić presented a Joint Action Plan for Staffing and Premises to the Peace Implementation Council and pledged his commitment to implement it as a matter of urgency. The plan aimed to increase the level of staffing and the space available for State ministries in order to boost institutional capacity.

### **Establishing State-level civilian command and control over armed forces, reform the security sector, and paving the way for integration into the Euro-Atlantic framework**

Progress in defence reform continued, fulfilling of all but one of NATO's 13 technical benchmarks for entry into PfP. BiH's failure to cooperate fully with the ICTY prevented NATO from extending a PfP invitation at its 8-9 December Brussels Ministerial. NATO's foreign ministers underlined once again that BiH and its neighbours must cooperate fully with the ICTY, and that BiH would be welcome in PfP only when it had met the established conditions.

NATO's "no" to PfP resulted in a waning enthusiasm for defence reform on the part of BiH authorities. As the reform process entered deeper into the implementation phase, technical issues surfaced more frequently and some momentum was lost. While substantial progress was still achieved, the process had shifted into a lower gear – at least temporarily.

Several accomplishments deserve mention, however. During the period of review, the Armed Forces of Bosnia and Herzegovina (AFBiH) completed their downsizing to 12,000 in total. An agreement was reached on the locations for the State defence institutions. Doctrine, policy and procedures were agreed for command and control. A newly established State Honorary Unit made its first public appearance at the SFOR-EUFOR Transfer of Authority ceremony on 2 December, its soldiers wearing the same shoulder patches and carrying the same rifles, representing only the State of BiH, regardless of ethnicity.

Concepts have been agreed for a military intelligence branch within the AFBiH as well, with strong State oversight and a State de-mining cell. A moratorium on the sale of surplus small arms and light weapons was introduced, a technical survey and a pilot programme for the destruction of surplus arms and ammunition were completed, and a plan for a substantial reduction of the number of ammunition storage sites was drafted. The first BiH defence minister, Nikola Radovanovic, in office since April 2004, continued to play an important and constructive role.

The High Representative's measures announced on 16 December 2004, and his 31 December Decision extending and adjusting the mandate of the Defence Reform Commission, set an ambitious defence reform agenda for 2005. The transfer of remaining entity competencies in the defence field to the State level will be accelerated. The austere budgets for the BiH defence establishment in 2005 will pose a challenge in this regard, accentuating the need for bold decisions. The goal remains clear: to create a modern and affordable defence system which has the confidence of all citizens of BiH, under full and unambiguous State level command and control, capable of meeting NATO's standards.

Since the Intelligence-Security Agency's (OSA) was established in June 2004, the physical and organisational unification of the two former entity intelligence services has proceeded as foreseen in the Law on OSA.

At Prime Minister Adnan Terzić's initiative, a Police Restructuring Commission (PRC) was established on 5 July with a mandate to propose "a single structure of policing for Bosnia and Herzegovina under the overall political oversight of a ministry or ministries in the Council of Ministers." Guided by EU best practice, the PRC was charged with establishing a single structure of policing with competency vested at the state level, operating in functional areas based on technical policing criteria. Its Chairman, Wilfred Martens, presented his final report to the High Representative and the Prime Minister on 14 January 2005. The report recommended that policing should become an exclusive state competence, including legislative and budgetary competence, that the local police should

operate in functional areas based on technical criteria, and that whatever the structure is finally agreed, in all cases, politicians cannot be involved in policing operations.

Implementation of the recommendations of this report will be a major priority for 2005.

### **BiH in the region**

Growing international pressure on Serbia and Montenegro and the Republika Srpska to co-operate fully with the ICTY has reinforced the need for cross-border cooperation.

The visit of Serbian President Boris Tadic in BiH at the end of 2004, and his public apology "*for those who committed crimes in the name of the Serb people*" sent a strong signal. During the course of this visit, the BiH Presidency and the Serbian president officially affirmed their countries' common goal of EU and PfP membership.

However, the refusal by BiH to withdraw its complaint against Serbia and Montenegro before the International Court of Justice (to be examined early 2006) continues to cast a shadow over the relations between Sarajevo and Belgrade .

In Croatia , the re-election of President Mesic provided a welcome sign of continuity and normalisation for BiH. His re-election enabled the easy resumption of dialogue about the long-standing issue of double citizenship (and dual voting rights) between BiH and Croatia .

BiH's presidency of the South-East European Co-operation Process (SEECP), including the first meeting of defence ministers from the region, demonstrated BiH's capacity to play a valuable political role at the regional level, as well as the utility of SEECP as an inter-state forum.

## **BiH and the European rapprochement process**

### **EC Feasibility Study**

The EC's Feasibility Study requirements dominated the BiH's reform agenda during the reporting period.

The BiH authorities made considerable progress during 2004 towards fulfilling the legislative requirements of the EC's Feasibility Study. Twenty-seven state agencies were established and 42 new laws were adopted, many of which introduce significant structural changes in the fields of crime prevention, the judiciary, customs and taxation, developing a single economic space and the energy market.

Although the majority of legislative steps had been completed by the end of 2004, the EC was not yet ready to declare 'significant progress' across the 16 priority areas listed in the FS. The main focus for the coming months will be on the implementation of the adopted legislation, required by the FS. In addition to the key stumbling blocks such as full co-operation with ICTY and police restructuring, internal market related issues (energy, customs, and taxation), tackling crime, public broadcasting, statistics, and regional trade remained issues of concern.

### **Transition from SFOR to EUFOR / Operation Althea**

The Council of the European Union decided on 12 July 2004 to launch a military operation in BiH in the framework of the European Security and Defence Policy (ESDP), succeeding SFOR.

This military operation, named EUFOR / Operation Althea was launched on 2 December 2004 . It main objectives included:

- a) to provide deterrence, continued compliance with the responsibility to fulfil the role specified in Annexes 1A and 2 of the Dayton/Paris Agreement (General Framework Agreement for Peace in BiH); and
- b) to contribute to a safe and secure environment in BiH, in line with its mandate, required to achieve core tasks in the OHR's Mission Implementation Plan and the Stabilisation and Association Process (SAP).

On 22 November 2004 the UN Security Council adopted Resolution 1575 defining the mandate of EUFOR and the NATO Headquarters, enabling the 25 November 2004 EU Council officially to launch EUFOR / Operation Althea.

With the handover from SFOR to EUFOR on 2 December 2004, NATO's first peacekeeping mission, launched under the name "IFOR" in December 1995, was brought to a successful end. The new NATO Headquarters in Sarajevo has demonstrated the Alliance's long-term commitment to the future development of BiH.

EU and NATO planners worked closely together in the months leading up to the transfer of authority. Their shared objective of a 'seamless transition' was achieved. EUFOR operates with approximately the same force size, the same task force structure, and the same basic mandate, resources and commitment to ensure peace and stability in BiH as SFOR did. But EUFOR is also a vital additional part of the EU family. It will add in a significant way to the EU's political engagement, its assistance programmes and its ongoing police and monitoring missions with a view to helping BiH make further progress towards European integration in the context of the Stabilisation and Association Process. As such, EUFOR reinforces the EU's integrated efforts in BiH, and helps enable the country to progress towards EU integration by its own efforts.

For BiH, the launch of Operation *Althea* marked the beginning of a new phase in its recovery as well – its transition from the era of Dayton/Paris to the era of Brussels .

These developments also testified to the deepened co-operation between the EU and NATO. On the ground, EUFOR and the new NATO HQ are co-located in Camp Butmir in Sarajevo , and cooperate closely. The EU military operation is carried out with recourse to NATO assets and capabilities, under the "Berlin Plus" arrangements.

## **EUPM**

During the past six months the State Ministry of Security achieved notable progress in recruiting staff and establishing internal departments covering all their areas of responsibility. The Minister of Security took over the chairmanship of the Ministerial Consultative Meeting on Police Matters (MCMPM – originally established by the UNMiBH/IPTF), which co-ordinates and oversees the political aspects of all the state-level police agencies. In the past six months a series of important new laws were drafted and adopted, with EUPM advice, including a law that created and regulated a new Immigration Service, an updated law governing the working of the State Border Service (SBS) and a Law on Police Officials. An expanded team of EUPM advisers were created to provide support and give expert advice on police matters.

The State Investigation and Protection Agency was established in temporary accommodation in Sarajevo . Planning continued to secure permanent facilities. The legal framework and Books of Rules by which the Agency operated were established, and a headquarters and two regional offices were set up, with a total of 279 police officers recruited to date. International donors provided considerable support for SIPA in terms of both equipment and training. An Interface Cell for Criminal Intelligence ( ICCI ) was set up as the conduit and focal point for the input of intelligence from international stakeholders. This would then be appraised and sent to SIPA, and where appropriate, a return flow of intelligence could be facilitated to IC stakeholders. The ICCI was entirely staffed by EUPM officers, who would later hand over the running of the cell to local police counterparts in SIPA.

The EUPM helped to secure management training for senior officers in the State Border Service and mentored them in how to apply their new knowledge appropriately. Their management culture gradually started to change, with more delegation of authority, increased transparency in decision making and greater analysis in the planning and conduct of operations.

In Sarajevo , with the support of EUPM advisors, Interpol developed into a fully equipped and functioning national office, with trained staff and good contacts with both the Interpol General Secretariat in Lyon and partners in the



region. Technical agreements between Interpol Sarajevo and the entity and state-level law enforcement agencies were drawn up, allowing these police forces direct access to the Interpol database.

EUPM continued to work with the BiH authorities on ways to achieve financial viability and sustainability of the local police. Progress in this area would enable the Public Security Centres in the RS and the Police Administration in the Federation of BiH Mol to operate more effectively next year, benefiting e.g. from an improved fiscal methodology.

The EUPM contributed significantly to police restructuring during the reporting period. Its Head of Mission served as a full member of the Police Restructuring Commission (PRC) and contributed greatly to the Chairman's final report. The EUPM also seconded personnel to the Commission's Secretariat.

### ***EU Special Representative (EUSR)***

In addition to his mandate as the High Representative, Lord Ashdown also serves as the European Union Special Representative in Bosnia and Herzegovina (Council Joint Action 2004/569/CFSP).

The main activities of the Lord Ashdown during the reporting period, in his capacity as EUSR, focused on implementing the EU's Comprehensive Policy for Bosnia and Herzegovina (BIH), in particular with respect to co-ordination and coherency of EU actors/instruments. The EUSR contributed substantially to the smooth transition from SFOR to EUFOR Althea. He also continued to conduct political oversight of the European Union Police Mission (EUPM) in keeping with his role in the chain of command. In line with his responsibilities under Article 2 of the Council Common Position 2004/569/CFSP, Lord Ashdown also worked to promote the implementation of the General Framework Agreement for Peace in Bosnia and Herzegovina, and the 16 reform criteria identified in the European Commission's (EC) Feasibility Study.

In July 2004 the EUSR launched an EUSR website ([www.eusrbih.org](http://www.eusrbih.org), in English, Bosnian, Croatian, and Serbian), which is the first and only website amongst EUSRs. The website features up-to-the-minute news regarding EUSR's activities and strategic priorities. The website has a full-text search engine and offers users the possibility of receiving daily email updates on the work of the EUSR. Under the leadership of the EUSR's Head of Communications, a European Union family web portal ([www.eubih.org](http://www.eubih.org)) was also launched in December. The aim of the portal was to present individual EU organisations in BiH. It explains the work of the Office of the EUSR, the EU-led military mission EUFOR, the EU-led police mission EUPM and the European Commission.[2]

The EUSR Team has been constituted. Key positions remain vacant, however, due to the lack of secondment offers and legal obstacles to direct recruitment. Outstanding legal issues related to privileges, immunities and indemnity are in the process of being addressed with the Council Secretariat and the Commission.

The main challenges for the next six months are to continue to focus attention to the implementation of requirements set out by the EC in its Feasibility Study. Satisfying these requirements is one of the major strategic priorities for BiH, and the EU will need to continue to support the BiH authorities in their efforts to meet their objectives. The EUSR will also seek to further enhance co-ordination and coherence of EU action/instruments, including providing political guidance and other support, as appropriate, to EUFOR and EUPM. The EUSR will also assist in offering political advice on key issues such as ICTY co-operation and police restructuring. The EUSR will further seek to engage member states and institutions in discussions on the future of the OHR and a possible transition to an EUSR-led mission, recognising that decisions about the future of the OHR are ultimately a matter for the PIC Steering Board.

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[1]The Union for the Co-ordination of Transmission of Electricity (UCTE) is a network that encompasses some 500 million people in 24 European countries.

[2]The EUMM does not have its own website and is therefore referenced under the EUSR's website.