



EUROPEAN COMMISSION

Olli Rehn
Member of the Commission

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Dear Prime Minister,

Dear Adnan,

First of all, allow me to express my appreciation for the fruitful meeting that we held in Brussels on 21 March. As mentioned during that meeting, I would like to share with you my views regarding the progress made by Bosnia and Herzegovina (BiH) in addressing the priorities identified by the Feasibility Study (FS) of November 2003. The following outlines the areas that require meaningful achievements in order to be in a position to acknowledge "significant progress" at the forthcoming Consultative Task Force meeting in May, and to subsequently recommend opening negotiations for a Stabilisation and Association Agreement (SAA).

BiH has made commendable progress in a number of the FS priorities, namely in the areas of Public Administration, European Integration, Judiciary, Asylum and Migration, Customs and Taxation, Statistics and Budgetary Issues. However, other FS priorities still require determined action. The points below should provide you with guidance in this critical phase.

As regards **International Obligations (FS1)**, we have taken note of the authorities' awareness that co-operation with the ICTY is a crucial element. There have recently been welcome moves in the cooperation with the ICTY, but we expect additional progress in bringing indicted war criminals to justice. By May, we must be able to note that there has been significant progress leading to full co-operation in this key area. BiH must also make further efforts to implement BiH's Council of Europe post-accession criteria, especially in the areas of democracy and human rights.

Mr Terzic
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As far as **Governance (FS2)** is concerned, it is clear that the BiH state institutions are hampered by low staffing levels and the lack of proper premises. This has negative repercussions on the capacity and effectiveness of the government. Therefore it is important that more efforts are made to fully implement the State Government Strengthening Plan (SGSP), and to ensure the proper functioning of the Commissions established by this Plan, in particular those in charge of the management of property and public assets. In terms of governance, BiH must also continue with its efforts to develop a comprehensive Action-plan for public administration reform. Furthermore, it is essential that State-Entity coordination be further improved.

We recognise BiH's achievements in the field of **Human Rights (FS5)**. However, continued action is necessary in this fundamental area. BiH must make further efforts to make the BiH Return Fund fully operational, and all pledged funds must finally be made available. In terms of Human Rights legislation, it is important that Republika Srpska fully harmonises its Law on Refugees and Displaced Persons with the corresponding state-level Law, and that the Law on the Single BiH Ombudsman be adopted.

The European Commission is giving particular attention to the FS priority point **Tackling Crime (FS7)** and especially to the ongoing police restructuring process. On police reform, the European Commission has made it clear that all legislative and budgetary competencies must be vested at state-level and applied in functional areas, so as to achieve technically efficient policing. Furthermore, there must be no political interference in operational policing. It is now urgent to see rapid progress in relation to this particular reform. Prior to the CTF meeting in May, BiH (State and Entity parliaments) should have reached consensus and agreed a clear plan for the implementation of the police reform in line with the Police Restructuring Commission's basic principles. Furthermore, the Ministry of Security should be reinforced both in terms of staff and funding. The Laws establishing the Data Protection Commission and the Information Society Agency must be adopted, which would pave the way for the establishment of these institutions.

Trade (FS13) is an essential component of a future Stabilisation and Association Agreement (SAA). BiH should demonstrate that it has the capacity and the political will to properly implement existing contractual relations, including the Free Trade Agreements concluded with other countries of the region, and to handle trade disputes in accordance with international standards. It is important that BiH's free zones are properly managed and supervised and that previous decisions regarding their closure are adhered to. It is also of importance that there is a sustained enhancement in relation to the issuing and control of certificates of origin. In the veterinary and phytosanitary sectors, the Phytosanitary Agency should be established and its Director be appointed. BiH must improve the coordination between central and regional services in the veterinary services and take steps to establish a National Reference Laboratory.

Regarding **Energy (FS14)**, the Federation's Electricity Action Plan must be adopted as soon as possible. The management boards of the Independent Systems Operator (ISO) and the Transmission Company (TRANSCO) should be appointed without further delays and further efforts should be made towards drafting a BiH Energy Strategy.

As regards the development of a **Single Economic Space (FS15)**, it is important to make the Public Procurement Agency fully operational, to establish the Insurance Agency and to ensure the adoption of corresponding Entity-level legislation. Further efforts must also be made to establish the Institutes for Standardisation, Metrology and Intellectual Property, and the respective Directors should be appointed. Furthermore, the Entities

should ensure the adoption of the laws necessary for the operation of the Single Business Register.

In the area of **Public Broadcasting (FS16)**, it is now urgent that the Laws on Public Broadcasting System and the Public Broadcasting Service are adopted by the BiH Parliamentary Assembly, fully respecting European standards and the Dayton-Paris Peace Accord. It is also necessary that the reform of the PBS internal structures starts.

Finally, I would like to outline the procedural steps that need to be taken before the start of SAA negotiations if the Commission is able to acknowledge “significant progress” on FS16 in May. First, the Commission would need to inform Member States accordingly. If Member States share our view, they would invite the Commission to submit negotiating directives for the SAA. We expect that discussions with the Member States on these directives could take place in September/October. This should allow launching SAA negotiations late autumn.

Allow me to stress that the above scenario presupposes continued reform progress by BiH and full support by the EU Member States during the whole process. I am confident that our combined efforts can make it feasible.

Yours sincerely,

Yours,
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