

Communiqué by the PIC Steering Board

Executive Summary

The Political Directors of the Peace Implementation Council Steering Board met in Sarajevo on 6 and 7 October. This was the last meeting of the Political Directors and the Authorities of Bosnia and Herzegovina (BiH) before the 10th Anniversary of the initialling of the Peace Accords at Dayton on 21 November 1995. Steering Board Capitals reviewed the progress that the BiH Authorities have made in implementing the reforms necessary to create lasting peace and prosperity in Bosnia and Herzegovina, to join Partnership for Peace (PfP), and to begin Stabilisation and Association Agreement negotiations with the European Union.

The PIC Steering Board welcomed the adoption on 4th October – by a clear majority in the RSNA – of an agreement on police reform, which meets the EC's 3 conditions of:

- All legislative and budgetary competencies for all police matters must be vested at the State level.
- No political interference with operational policing
- Functional local police areas must be determined by technical policing criteria, where operational command is exercised at the local level.

The Steering Board expressed its full support for this agreement, which will provide the basis for the efficient and modern police service that the citizens of BiH need and deserve. Within five years BiH will have a single integrated police service at the state level, and local police areas that meet the European Commission's requirements.

The Steering Board warmly welcomed the recent adoption of the

BiH Defence Reform Legislation. These Laws and their underlying concepts, were developed through the Defence Reform Commission under the joint leadership of BiH Minister of Defence Nikola Radovanovic and NATO HQ Sarajevo Political Advisor Dr. Raffi Gregorian. The creation of a NATO compatible single military force, with single state-level chain of command and single State Defence Budget, will give BiH the armed forces it needs to meet the Security challenges of the 21st Century.

Political Directors regretted that all ICTY indictees, particularly Radovan Karadzic and Ratko Mladic, have not yet been transferred to the Hague , and noted that the only outstanding requirement for BiH to accede to PfP is full cooperation with the ICTY, to include the arrest and transfer to The Hague of persons indicted for war crimes.

Only eighty-six days away from the introduction of Value Added Tax (VAT) in BiH the Steering Board expressed their full support for the Indirect Taxation Authority and welcomed the fact that technical preparations were proceeding according to plan. Eleventh hour changes would disrupt these preparations and could trigger a dangerous loss of revenue. The Political Directors made clear that this reform would benefit BiH's economy and BiH's citizens, in terms of increased revenue collection, the fight against corruption and the grey economy.

Political Directors strongly welcomed the significant progress that has been made in reform of the PBS with the adoption of the Public Broadcasting System Law, the law having been found by the BiH Constitutional Court not to violate the vital national interest of any of BiH's constituent peoples. This is a key step forward in fulfilling one of the last outstanding requirements before the European Commission can launch SAA negotiations. The Political Directors welcomed the fact that this reform will provide one Public Broadcasting System with three multi-Ethnic Broadcasters, broadcasting in all thee BiH

languages.

The Political Directors strongly and unconditionally opposed segregation and discrimination in schools in Bosnia and Herzegovina , which can only distance BiH from the EU. The Steering Board calls on all responsible authorities, including all Ministers of Education of BiH, to ensure that all disputed decisions on school divisions are reversed so that children can attend schools regularly. It called on them to ensure that in other areas, such as Stolac, no further decisions on division are made. The Political Directors supported those authorities, teachers, parents and pupils who have rejected this retrograde step as harmful to the citizens of BiH and BiH's future.

Communiqué

Police Reform

The PIC Steering Board welcomed the adoption on 4th October – by a clear majority in the RSNA – of an agreement on police reform, which meets the EC's 3 conditions of:

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The Steering Board expressed its full support for this agreement, which will provide the basis for the efficient and modern police service that the citizens of BiH needs and deserve. Within five years BiH will have a single integrated police service at the state level, and local police areas that meet the European Commission's requirements.

The implementation of Police Reform will need to be carried out in accordance with the European Commission's requirements, and the Steering Board welcomed the European Commission's intention to monitor this process closely, as well as the expressed intention of individual PIC members, including the US , to follow developments and assist in the process.

To enable the European Union to open negotiations on a Stabilisation and Association Agreement, the Steering Board called for this agreement to be supported by the Council of Ministers and the Federation Parliament immediately, and then by the BiH Parliament. The Steering Board recalled that this Agreement represents a crucial step to enable the European Commission to recommend the start of SAA negotiations.

The Steering Board therefore encouraged all BiH's political leaders fully to support this agreement, which provides the basis for moving BiH towards a contractual relationship with the EU. The Steering Board urged the BiH authorities to complete the remaining steps very quickly, in order to open the way for the launch of SAA negotiations before the end of the year, and allow BiH to join its neighbours on the road to Europe. It urged the relevant BiH authorities to seize the opportunity now before them to do this.

Defence Reform

The Steering Board warmly welcomed the recent adoption of the BiH Law on Defence and Law on Service in the Armed Forces of BiH. These Laws and their underlying concepts, were developed through the Defence Reform Commission under the joint leadership of BiH Minister of Defence Nikola Radovanovic and NATO HQ Sarajevo Political Advisor Dr. Raffi Gregorian. The creation of a NATO compatible single military force, with single state-level chain of command and single State Defence Budget, will give BiH the armed forces it needs to meet the Security challenges of the 21st Century. The full implementation of the Laws and concepts can also serve as the

basis for concluding the need for international military forces to enforce the military aspects of the Dayton Peace Agreement

The Steering Board expressed its full support for the work of the DRC and the BiH Defence and Service Laws, and welcomed the fact that the DRC will soon begin to transfer its functions over to the BiH Ministry of Defence. It applauded the broad support of BiH and Entity Authorities, which is the clearest possible signal of BiH's commitment to Euro-Atlantic integration and its stated goal of eventual NATO membership. Political Directors hoped that BiH would soon meet its Dayton commitment to fully cooperate with the ICTY, to include the arrest and transfer to The Hague of persons indicted for war crimes, which remains the only obstacle to membership in NATO's Partnership for Peace.

VAT

The Steering Board commended the BiH Indirect Taxation Authority for making timely administrative preparations for the introduction of VAT on 1 January 2006. This reform will establish a more equitable and efficient method of indirect-tax collection, bring the BiH fiscal system into line with the rest of Europe, tackle the grey economy and reduce the opportunities for corruption and tax evasion.

The Steering Board fully supported the BiH Council of Ministers and Parliament that a single 17-percent rate is the best for BiH in view of the rapid merger of the former Entity and Brcko District Customs Administrations. No other system is compatible with the introduction of VAT on 1 January 2006.

The Steering Board urged the BiH authorities at both State and Entity level to work with the World Bank, the IMF and other financial agencies to strengthen the social safety nets that will help cushion the possible negative effects of VAT on lowest-income households. More could be done when the

necessary political decisions are taken. Assistance is available to support them.

The Steering Board also stressed the vital importance of the BiH Authorities to promote public awareness about VAT as a matter of urgency. It called on the BiH authorities to take action in this respect right away, as the lack of accurate information on the introduction and effects of the VAT is causing public concern. It recalled that VAT is in place in every EU Member State and has delivered considerable benefits in raising revenue, and fighting corruption and tax evasion.

Srebrenica Working Group

The Steering Board noted that the RS Government has finally taken seriously its obligation to make available to the Srebrenica Working Group the information that they had in their possession about crimes that took place in and around Srebrenica in the period from 11 to 19 July, 1995 .

The Srebrenica Working Group report represents a serious attempt comprehensively to catalogue all persons implicated in the events in and around Srebrenica in the relevant period. This marks a genuine attempt to break with the past and to uncover the whole truth about what happened in Srebrenica. The Steering Board believes that breaching the wall of silence that has surrounded these events for almost a decade will offer those who lost loved ones a chance to receive some of the answers they have sought since July 1995, and finally to see justice served. Only by applying the rule of law and the full judicial process through the appropriate international and domestic institutions can this be done. It is now up to the appropriate prosecutorial bodies to process the information handed to them by the Srebrenica Working Group, and to use it in their investigations.

The PIC reiterated the continuing importance of fully uncovering and investigating all instances of war crimes that

occurred in BiH between 1992 and 1995. It stressed that full co-operation with the ICTY remained an international obligation of the BiH authorities, and in particular the authorities of Republika Srpska. It welcomed the recent transfers of indictees to The Tribunal, but made clear that this process would not be complete until every indictee was in The Hague, including Karadzic and Mladic.

Education

The Steering Board expressed deep concern about the recent attempts to divide schools along ethnic lines in Prozor-Rama, Capljina and elsewhere in BiH. They are a retrograde step and harmful to the citizens of BiH and BiH's future. They reflect a continued failure to comply with BiH's post-accession commitments to the Council of Europe and are in conflict with European standards. The Steering Board calls on all responsible authorities, including all Ministers of Education of BiH, to ensure that all disputed decisions on school divisions are reversed so that children can attend schools regularly and assure that in other areas such as Stolac no decisions on division are made. The Steering Board also calls on the Authorities of BiH to administratively and legally unify all two schools under one roof.

The responsible BiH authorities must urgently establish an effective coordination mechanism at the state level in order to properly coordinate education reform priorities and activities as pledged in 2002, and honour BiH's international commitments. An important and urgent first step in this direction is the establishment of the state-level education agency.

The Steering Board also urged the relevant authorities to adopt the harmonized state-level Higher Education Law as one of the first steps towards implementation of the Bologna Process in BiH.

Mostar Unification

The Steering Board welcomed progress made to date towards unifying the Mostar City institutions. Noting that a series of key benchmarks have either been completed or brought within near reach – including the appointment of a genuinely multi-ethnic City Administration. This means that a substantial part of the Mostar Unification project can be achieved by the end of this year, enabling the Mostar Implementation Unit to close on 30 November 2005.

The process of unifying Mostar continues to be sensitive and challenging. However, the Steering Board expressed concern that political interests continue to impede efforts to reunite the City's institutions. It reiterated that it would not accept undue political interference or attempts to undermine Mostar's unification.

Brcko

The Steering Board urges the Council of Ministers to implement the proposal of the Brcko District authorities to establish a District Office within the state-level executive as soon as possible. Without an institutional means for dialogue, cooperation and coordination through which the District government can both make its interests known, and share in the elaboration of BiH-level policies relevant to it, Brcko is unable to play its full part in the country's affairs.

The Economy

The Steering Board welcomed the fact that improved tax collection and treasury management have, for the moment, averted the fiscal crunch that had threatened to jeopardise services at all levels of government. However, the Steering Board urged the Governments to support a conservative budget-planning target close to the levels of the 2005 budget.

Good progress has been made in drafting legislation that will

require government salaries to be kept in line with resources. The Steering Board urged the authorities to finalise the draft after having consulted on it with all stakeholders and send it into legislative procedure. BiH's public accounts, although slightly improved, remain a source of acute concern.

In addition, the Steering Board urged Entity governments to invest further efforts in implementing needed economic reforms and ensuring full functioning of the BiH single economic space. This includes strengthening of the BiH statistics system, further development of the trade policy, reform of the energy sector and its integration into the regional energy market, as well as adoption of the consumer protection law and establishment of consumer ombudsman.

OHR Future

The Steering Board confirmed its commitment to the undertakings expressed in the Communiqué of 24th June regarding the intention to continue the process of transferring responsibilities to the BiH Authorities, leading towards, in due course, a recommendation that the position of the High Representative be replaced by an EU Special Representative. The PIC affirms that this process of transition is tied to actual progress in BiH, and that one clear indication to the Steering Board that BiH is indeed firmly on the road to Europe will be when it has qualified for negotiations on a Stabilisation and Association Agreement with the EU, and taken the hard decisions still needed to accomplish that.