

Communiqué by the PIC Steering Board

The Political Directors of the Peace Implementation Council Steering Board met in Brussels on 3 February under the Chairmanship of the High Representative, Paddy Ashdown.

The Political Directors were briefed by Chief Prosecutor Carla del Ponte on the status of cooperation by the authorities in BiH with the ICTY. The BiH delegation, which was led by Prime Minister Adnan Terzic and included RS President Dragan Cavic, outlined the steps being taken by the RS to accelerate cooperation with the Tribunal. The BiH authorities also reported on the progress that has been made since the autumn of 2004 on strengthening the capacity of BiH institutions and taking forward the economic reform agenda, including the consolidation of the Single Economic Space.

ICTY Cooperation

The Steering Board reminded the BiH authorities that inadequate cooperation with the ICTY is now the major obstacle standing in the way of BiH's progress towards the European Union and NATO. It welcomed the transfer by the RS authorities to The Hague of Savo Todovic as a first step, but stressed that this must mark the beginning of a process of full ICTY cooperation leading to further transfers of other indictees at large without delay, including Karadzic and Mladic. Failure to complete the process would have, among other consequences, the effect of blocking BiH's future in Euro-Atlantic institutions.

The Political Directors made clear that the RS authorities now have a short period of time in which to demonstrate that they are fully cooperating with the ICTY. They reiterated that the Dayton-Paris Agreement remains the foundation for peace in BiH including the continued existence of the Entities. The PIC expects the agreement to be honoured in full and to the letter by the authorities in BiH at every level. It cautions those political leaders in BiH and elsewhere who are making irresponsible claims about the abolition of the RS, and calls on them to concentrate instead on implementing the Agreement and the reforms needed for integration into Euro Atlantic structures.

The Steering Board stressed that the BiH authorities also have a part to play in ensuring full cooperation with the ICTY and called on Prime Minister Terzic urgently to establish means to improve state-wide cooperation on the capture and transfer to The Hague of fugitives, and asked the High Representative to assist in this process. This should not, however, in any way diminish the responsibility of the RS authorities to cooperate fully with the ICTY. The main responsibility lies with them. The Steering Board stressed the importance of the BiH government now taking concrete steps to implement the asset freeze of PIFWC support networks, which the EU adopted in October 2004 and to which the BiH aligned itself. The Steering Board noted the need for strengthening regional cooperation in this matter and the view of the Chief Prosecutor that the authorities in Belgrade and Podgorica must cooperate fully with the RS.

Police, Defence & Intelligence Reform

There are fundamental systemic weaknesses built into the law enforcement and security structures in Bosnia and Herzegovina, and in particular the Republika Srpska. They must be tackled so that these structures finally help, not hinder the country in fulfilling its international obligations.

In this context, the Steering Board welcomed the progress made in Defence Reform and expressed its support for the next phase as laid out by the High Representative in December, accelerating the transfer of responsibilities from the Entity Defence Ministries to the BiH Defence Ministry. It applauds the progress made so far by the DRC on the basis of consensus.

The Steering Board reiterated its commitment to offering all necessary assistance to the BiH authorities so that NATO's criteria for PfP membership can be met as early as the first half of 2005.

The Steering Board noted that the three principles required by the European Commission for police restructuring had been fully met by the recommendations of the Police Restructuring Commission contained in Chairman Martens' report. Progress on police restructuring, consistent with the EC's three principles, is a requirement for moving towards a Stabilisation and Association Agreement with the EU. The implementation of the reform

recommendations will provide the citizens of BiH with an effective and responsive police force that is financially sustainable. It will ensure that exclusive constitutional competency for police legislation and funding is vested at the State level; that the local police will operate in functional areas based on technical criteria, that politicians are not involved in policing operations, and that international law enforcement partners have effective counterparts to work with in the fight against cross-border crime. The PIC reiterates that police reform can only be taken forward by consensus. It urges all BiH's politicians to consider the benefits for their citizens of police reform and debate the recommendations of the report seriously.

It also noted with satisfaction the progress in establishing a fully merged intelligence-security agency at State level. The Steering Board welcomes the consolidation of intelligence reform and steps to create an 'Intelligence Community' where information can be effectively shared.

BiH State Administration

The Steering Board welcomed the progress that BiH's institutions have made on passing key pieces of legislation which are EU Feasibility Study Requirements; implementation must now follow. The Steering Board noted with approval that the BiH Parliamentary Assembly has enacted legislation on Sales and Excise Tax and laws providing for a State-level single-rate VAT system to be introduced in BiH by January 2006 at the latest, and that the State budget was passed in January, the earliest this has ever been done.

The Steering Board also welcomed the fact that the BiH Council of Ministers met on 1 February. It underlined the central role of the CoM in delivering the reforms required by the EU's Stabilisation and Association process and welcomed the CoM's commitment to the reform agenda. Only the BiH authorities can take forward the reforms required to make BiH's European future a reality. The Steering Board calls upon the CoM to continue this pace of reform and demonstrate its leadership to BiH's institutions

The Steering Board stressed that the Council of Ministers must now renew and step up the pace at which it sends bills to parliament. The CoM must act quickly if BiH is to meet the requirements of the EC Feasibility Study in the near future.

This accentuates the urgent need for faster and more substantial progress in implementing the Joint Action Plan. This is severely impairing the capacity of the BiH Government to work effectively and to implement the full range of reforms it has taken on. The Steering Board urged Prime Minister Terzic to ensure that this issue is addressed ahead of the next PIC in April. It is essential that the Commission for Public Assets begin working as soon as possible so that the issue of housing essential State institutions can be addressed.

The Steering Board called on the State and Entity authorities to address the unsustainable cost of governance – now consuming more than 50 percent of GDP. The sprawling administrative structure means that citizens are paying too much money for too little service. The status quo is fiscally unsustainable – if this issue is not addressed in the first half of 2005, it may be impossible by as early as the end of this year for the authorities to meet all their obligations in regard to civil servants' salaries.

Economic Reform

Principal Deputy High Representative Donald Hays briefed the Steering Board on economic developments since the autumn of last year. The resolution of the Internal Debt issue, together with the completion of legislative steps necessary to introduce VAT, constitute a major boost to the business environment. This should be viewed in the context of other recently-enacted laws that will help bolster the BiH investment climate, including legislation that will make the management of public companies more transparent, bring accounting and auditing up to European standard, simplify company registration procedures, and facilitate the speedy resolution of commercial disputes. The adoption of Entity bankruptcy laws will help free up the privatization process – though this remains an area where BiH has signally failed to secure broad-based economic benefits due to a failure by the authorities to address systemic blockages in the privatization process.

The Political Directors expressed their appreciation for the remarkable contribution made by Ambassador Hays to the process of Economic reform in BiH and welcomed Ambassador Larry Butler, who will take over from Ambassador Hays in March.

Brcko

The Steering Board approved the implementation plan presented by Brcko Supervisor Susan Johnson, aimed at reaching the conditions required by the Final Arbitral Award by the end of 2005, by which time she would hope to be able credibly to report to the Arbitral Tribunal, with the approval of the High Representative, that the required conditions have been met.

Many of the Award's specific requirements have already been fulfilled. These include refugee return, property restitution, infrastructure repair, holding elections, and establishing executive and legislative bodies, an independent judiciary and police force, and a multiethnic school system.

Work is still being done on securing the District's full economic revitalization, completing the reform and harmonization of legislation and thus abolishing the IEBL within the District, and ensuring that the District's multiethnic and democratic institutions of government are functioning effectively and permanently and that the Entities as well as the BiH institutions fully accept the District's status as a self-governing administrative unit and have complied with the Final Award. The Steering Board agreed the PIA/MIP and will review progress on it in June. The Steering Board will seek the views of the International Arbiter before that date.

Stolac

The PIC calls on the authorities at all levels of Bosnia and Herzegovina to contribute to enforcing the Rule of Law and the Dayton Peace Agreement, not least by implementing decisions of the Annex 8 Commission to Preserve National Monuments. The PIC takes note of the delays in implementing the Commission's decision in relation to the removal of illegally constructed objects in Stolac and expects the decision to be implemented without delay in a peaceful and orderly manner.

Special Department of Organised Crime

The Steering Board was briefed by Head of the Special Department of Organised Crime John McNair on the Special Department's work. The PIC commended the Special Department's efforts to address high-level corruption and organized crime in BiH. The PIC encouraged all members to explore further ways to assist the Special Department in its efforts.

The next meeting of the Steering Board Political Directors will be on 7 April in Brussels.