Report to the European Parliament by the OHR and EU Special Representative for BiH, January – June 2003

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Mid -Year Report To The European Parliament

Summary

During the first half of 2003, the Office of the High Representative (OHR) continued its efforts to oversee the implementation of the civilian aspects of the 1995 Peace Agreement.

The OHR remained focused on its overall **aim of setting Bosnia and Herzegovina (BiH) irreversibly on the road to statehood within the European Union (EU),** and on preparing the ground for a **phasing out of its own mission** within the coming years.

Towards this end, a " **Mission Implementation Plan" (MIP)** for the OHR was drawn up and endorsed by the Peace Implementation Council at the beginning of the year. It has since then formed the basis for the OHR's work in BiH.

The MIP outlined six "Core Tasks" for OHR:

- **Entrenching the rule of law**
- **Reforming the Economy**
- **Strengthening the capacity of BiH's governing institutions, especially at the State-level**
- **Establishing State-level civilian Command and Control over the armed forces, reforming the security sector, and paving** the way for integration into the Euro-

Atlantic framework

- **Ensuring that extreme nationalists, war criminals, and their organised criminal networks** cannot reverse peace implementation
- **Promoting the sustainable return of refugees and displaced persons**

During the reporting period, measurable progress was made on each of these priorities.

To help entrench the **Rule of Law**, an Anti-Crime and Corruption Unit (formerly called the Serious Crimes Unit) was set up within the OHR. The OHR, working with the BIH authorities, also began the process of restructuring the BiH court system at all levels. A new Legal Reform Unit within OHR, High Judicial and Prosecutorial Councils for BIH, a Special Chamber in the BiH State Court, and a Special Department in the BiH Prosecutor's Office were established and are now functioning.

Expert reform commissions were launched in other key reform priority areas – comprised of local representatives but chaired in each case by a respected international expert – covering **Indirect Tax Policy, Defence and Intelligence**. A wholly locally staffed Commission was also set up to explore possible ways to achieve the unification of **Mostar**. The Mostar Commission made important progress, but fell short of success. A second attempt under international community chairmanship will soon be launched.

In the area of **public administration reform**, a state-level Civil Service Agency was created last May to help introduce more modern standards in public administration. Entity Civil Service agencies are also being established.

On 7 March, the OHR launched a **major attack on the networks which provide funding and support for key ICTY indictees, including Radovan Karadzic**. OHR was also tasked by the Peace Implementation Council Steering Board (PIC SB) with

establishing a system for the **domestic prosecution of war crimes**. Proposals towards this end were being elaborated jointly with the ICTY.

The **EU Police Mission** launched on 1 January 2003, moved into full and successful operational gear. It will play a vital role in supporting the OHR and the international community's overall priorities in promoting the rule of law and fighting organised crime.

Continued implementation of **property legislation**, the increasing visibility and self-confidence of return communities and, most importantly, **the numbers of people returning**, remained encouraging and meant that the OHR stayed on track for the **completion of one of its key and most sensitive task, resulting in the closure of the "Reconstruction and Return Task Force" (RRTF) at the end of 2003**. Adequate local and international funding for refugee return, and international monitoring of the process, will continued to be needed for some time after the draw-down of the RRTF.

The **OHR's media development mandate was largely completed** and its Media Development Department closed down. International support will continue to be needed, however, to ensure the establishment of an independent and economically viable Public Broadcasting System for BiH.

After a long process of **government formation, coalition governments were formed at State, Entity, and Cantonal levels** during the early months of 2003.

During the reporting period, the High Representative **reduced the use of his executive powers by nearly one-third** compared to the previous six months, **a trend that was expected to continue** as part of the MIP process. Almost half of his decisions were legislative impositions, which served to keep reforms moving during the nearly 4 months when BiH had no

functional government following the October 2002 general elections.

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Political developments

The final months of 2002, and the early weeks of 2003 were dominated by government formation. A new State-level Council of Ministers (CoM) led by Prime Minister Terzic was formed in January. State-level Ministers for Justice and Security were appointed for the first time, in accordance with the Law on the Council of Ministers adopted in December 2002. The Federation and Republika Srpska entity governments were in place by end-January and mid-February respectively.

Prime Minister Terzic's administration was hampered from the outset by the constitutional dysfunctionality of the Council of Ministers (he does not appoint and cannot remove Ministers – they owe their existence and loyalty to the political parties, not to the Government) and by the lack of capacity and support within the institution of the CoM as a whole. As the result, the output of the Council of Ministers was low during the first six months of the year, with limited legislative activity. The restructuring of the new ministries and governing bodies also proceeded slowly.

The Entity and Cantonal governments faced similar problems in terms of slow government formation and chronic capacity problems.

The continuing division of Mostar remained a serious problem during the reporting period. Eight years after the war, the City of Mostar remained a collection of municipalities without co-ordination and without the capacity to promote the development of the City. A Commission comprised solely of local representatives was established in Spring 2003 to explore options for a permanent statute of the city, and to provide the citizens of Mostar with an opportunity to

contribute to the debate about the future of their City, without interference from the international community. By the end of this reporting period, however, this Commission had achieved only limited results. A second commission on Mostar under international chairmanship is due to start its work in the very near future.

In Republika Srpska, despite some initial posturing and rhetoric, the government and parliament started slowly processing major reform policy initiatives.

The revelation in March 2003, of major arms smuggling by an RS arms company under government control, however, the so-called ORAO scandal, rocked the RS political establishment and forced the resignation of Mirko Sarovic as a member of the BIH Presidency on 4 April 2003.

The ORAO scandal, followed shortly afterwards by an SFOR investigation that showed the RS armed forces had been spying on NATO and other international actors, gave impetus to major defence and intelligence reform initiatives. Commissions were established under international chairmanship but otherwise composed entirely of BiH members. The Commissions were tasked to develop plans to overhaul the entities' defence and intelligence structures, and consider possibilities for moving competencies to the state-level, with a view to creating a single army and a single intelligence service for BiH (see also below, under "Defence and Intelligence Reform.")

OHR Developments – Mission Implementation Plan (MIP)

Since the Office of the High Representative was created in 1995/1996, good progress had been made. Nearly a million refugees and displaced persons had returned home by the end of 2002. The physical infrastructure of the country had been substantially repaired. Freedom of movement had been established. A stable currency was in circulation across BiH. Macro-economic management had significantly improved. Some

specific tasks in which the OHR had invested a great deal of time and effort over the years had been completed or handed over to the local authorities. Others in which the OHR has taken a leading role, such as refugee return, were on course to transfer to the BiH authorities by the end of 2003. Other aspects of the OHR's work were not yet ready to make that transition – although the time had come to elaborate a plan for how to get to this point in the shortest possible timeframe.

The OHR presented its "Mission Implementation Plan" to the Peace Implementation Council (PIC) Steering Board on the 20th of December 2002. The PIC Steering Board warmly welcomed and endorsed the Plan, which singled out six core tasks for the OHR to concentrate on in order to accomplish its mission. (The text of the MIP can be found on the OHR website at https://www.ohr.int).

The six "Core Tasks" of the MIP were the following:

- **Entrenching the rule of law**
- **Ensuring that extreme nationalists, war criminals, and their organised criminal networks** cannot reverse peace implementation
- **Reforming the Economy**
- **Strengthening the capacity of BiH's governing institutions, especially at the State-level**
- **Establishing State-level civilian Command and Control over the armed forces, reforming the security sector, and paving** the way for integration into the Euro-Atlantic framework
- **Promoting the sustainable return of refugees and displaced persons**

Each task was divided into several sub-programmes, and specific OHR Departments were assigned responsibility for defining and implementing measurable steps toward each goal.

During the reporting period, the OHR presented two updates on MIP implementation to the PIC SB, in April and June 2003. The content of these updates is reflected in the present report, *below*. A formal report on and assessment of the first year of the MIP was planned for the beginning of 2004. The MIP marked the beginning of an OHR exit strategy that would also involve diminishing use of the High Representative's executive powers.

During the reporting period, the High Representative reduced the use of his executive powers by nearly one-third compared to the previous six months, a trend that was expected to continue as part of the MIP process. Almost half of the High Representative's decisions were legislative impositions, many of which served to keep essential reforms on track during the four months following the October 2002 general elections, before a government was formed.

The number of decisions was not the only sign that the High Representative was intervening less directly in the BiH political process. The majority of legislative and institution-building impositions were agreed with the political parties in advance, (so-called "soft impositions"), and were therefore not controversial. Exceptions included the decisions to crack down on the support networks of ICTY-indictee Radovan Karadzic, which by their nature had to be kept secret in order to have the intended effect.

Also of note was the increasing willingness of the various BiH parliaments to adopt laws or amendments imposed by the High Representative. This willingness to adopt impositions might be seen as a symptom of the tendency on the part of some BiH politicians to accept reforms on the one hand, which at the same time preferring to duck responsibility by forcing the High Representative to act on their behalf. However, domestic adoption of High Representative impositions – overwhelmingly by consensus of all parliamentary parties – did illustrate the extent to which the political debate in BiH was moving forward: previously untouchable issues for one or the other of

the parties had now become facts of life to which the parties were increasingly prepared to lend their support.

Entrenching the Rule of Law

Towards the end of 2002, the OHR imposed a complete restructuring of the court system within BiH, closing and consolidating courts throughout both entities in order to achieve a more efficient and more accountable judicial system. The number of first-instance courts was reduced from 78 to 47, subject matter jurisdiction was harmonised and commercial departments are being created in 15 first-instance courts. The OHR also helped introduce the necessary framework to enable the High Judicial and Prosecutorial Councils (HJPCs) to announce judicial positions in the first- and second-instance courts in the Entities.

By early January 2003, this restructuring was starting to be implemented.

On 16 January 2003, the HJPCs appointed eight members to the Criminal Division of the State Court and a Chief Prosecutor and three assistants to the Prosecutor's Office of BiH.

On 24 January 2003, the Criminal Procedure Code of BiH was imposed, which entered into force on 1 March 2003. This represented a significant step in the process of reforming the criminal justice system of BiH. Together with the Criminal Code, which entered into force on the same date, it renders the Court of Bosnia and Herzegovina operational.

On 27 January 2003, the newly appointed judges of the Court of BiH and prosecutors of the Prosecutor's Office of BiH – the first such institutions ever, at State-level – took their oaths of office in a widely welcomed ceremony. On that same day, the Court of BiH held a ceremony to open its newly renovated temporary facilities. Within weeks, the State Prosecutor's office had already brought charges against eight defendants for counterfeiting. Two of these defendants

entered pleas of guilty while the cases of the remaining defendants were being set for trial. Shortly thereafter, the Prosecutor's office brought charges against other accused persons for human trafficking

In a complementary development, the OHR created a new unit called the Anti Crime and Corruption Unit (ACCU) to help support local prosecution, investigation and analysis efforts related to systemic organised crime and corruption. The ACCU, in close co-operation with domestic agencies and authorities, has undertaken efforts to guide and support investigations and prosecution in multiple cases. At times, due to the political and technical limitations of the local authorities, the ACCU has provided specialised support capacities such as forensic audit work or specialised experts as court witnesses. ACCU was also assisting in assessing which cases should be transferred to the Prosecutor's Office of BiH as part of the implementation of the new Criminal Code and Criminal Procedure Code of BiH.

During early May, ACCU worked with EUPM, at the request of the Minister of Interior of the Republika Srpska, to transfer a major organised crime case to the Criminal Division of the Court of BiH and the Prosecutors Office of BiH. This is a very serious case – the most significant human trafficking case in BiH's history – and the fact that it is being tackled within BiH's court system is a significant step forward.

On 23 April 2003, OHR held a "crime summit," which was attended by the Ministries of Interior of both entities and the Ministry of Security of the state, together with the State Border Service and State Investigation and Protection Agency. The EUPM also participated in these meeting. The purpose of the meeting was to address the impending end of the state of emergency in Serbia following the assassination of Prime Minister Djindjic, and the possibility that many persons apprehended in Serbia might flee to BiH upon their release in Serbia.

The Head and Deputy Head of the Rule of Law Pillar visited Belgrade on 29 and 30 April 2003 to meet with officials from the Serbian Ministry of Justice, Ministry of Interior and the Chief Prosecutor's Office. The purpose of the visit was to offer to facilitate the creation of operational protocols between these ministries and offices and their counterparts in BiH, in order to interdict criminal activities which transcend the borders of BiH and Serbia more effectively. In addition, during the visit, the OHR officials exchanged information with the Serbian officials as to specific suspected criminal activities of interest to both BiH and Serbia and arranged for further exchanges of information in regard to these activities. The Serbian officials were eager to continue the exchange of such information.

Reforming the Economy

The EU/EC and the High Representative had insisted strongly that the BiH authorities reform the revenue system by beginning the process of establishing VAT at the State level and reforming the administration of customs. In February 2003, an "Indirect Tax Policy Commission" was established to assist in this process. It was tasked to undertake a number of activities to promote a single customs service for BiH and a single State-level VAT. Several presentations were made during the reporting period to senior politicians, technical experts and the general public to build understanding and support for customs issues.

The main priority of the Indirect Tax Policy Commission was to produce an interim law to establish an Indirect Tax Authority (ITA) by July 1. The Law was ready in time, authorising the ITA and Governing Board to begin work on the establishment a modern State-level system of indirect tax collection, and a single, efficient customs service, both in accordance with European standards. At the end of the reporting period, however, the Law was still pending before government and waiting to go to parliament. Its successful enactment into

law, and the start of implementation, would mark a big step in demonstrating BiH's ability to take difficult decisions in this sensitive area, to tackle fraud and corruption, and to move towards EU compatibility. This Law would break new ground in two other areas. This would be the first time that Article 3.5A of Dayton was used to pass competencies from the Entities to the State and the first time administrative areas would be established which conform to the natural economic regions of BiH, and not to the Inter-Entity Boundary Line.

In December 2002, the so-called "Bulldozer Committee" presented the BiH governments with a list of 50 "economic roadblocks" to business development and investment, along with their respective legal solutions. Those proposed changes were presented to the relevant authorities (State Council of Ministers, FBiH Government and RS Government) during the first quarter of 2003. The businesses or business associations that submitted the requests had an opportunity to testify before the relevant parliamentary committees, and advocate directly for the reforms. Local Implementation Committees, co-ordinated by local business associations, were also set up in order to insure proper reform implementation and follow-up. All 50 pieces of legislation were adopted, none imposed, by 4 June 2003, and the domestic authorities then assumed responsibility for the next phase of the project, which will involve six regional committees.

Apart from its impact on the economic reform agenda, the "Bulldozer Committee" and its successes represented an encouraging example of the development, in the business sector as least, of a genuine civil society in BiH.

Concrete progress was also made in a number of other areas such as agriculture, telecommunications and public administration during the reporting period. A State-level Veterinary Law was finally passed but implementation was delayed by the slow appointment of the new director for the State Veterinary Office. The new director was only named in

May 2003. His initial tasks will include getting an animal identification project underway, adapting local regulations to EU standards, and securing sustainable financing over the next 5 years. Progress was made in the telecommunications sector by enacting the Law on Communications as part of the economic package. This enabled regulators to begin implementing a regulatory regime conducive to competition.

Audits carried out in the telecommunications sector illustrated the dire need for reform. Audits of the RS- and Mostar-based energy companies, Elektroprivreda RS and Elektroprivreda Herceg-Bosna, revealed fraud and mismanagement to the tune of hundreds of million of KM, involving senior figures in the main Bosnian Serb and Bosnian Croat nationalist parties. The audit report for the Sarajevo-based "Elektroprivreda BiH" produced similar findings, albeit on a smaller financial scale, and raised uncomfortable questions for the SDA.

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

On 23 January, the Head of the Civil Service Agency (who was appointed by the previous High Representative) reported to the Chair of the Council of Ministers that the Agency was now fully operational. This Agency is key to preventing party patronage at State level, as it is responsible for the recruitment of civil servants. The RS was working on setting-up a similar Agency with international financial and technical support. The Federation was less enthusiastic, forcing the OHR to assume a more proactive role in facilitating the drafting of its civil service legislation, but the legislation was eventually adopted in May 2003.

The BiH authorities presented new plans for comprehensive public administration reform (PAR) to the PIC Steering Board on 28 March. The PIC Steering Board welcomed and endorsed the authorities' targets, while cautioning that implementation

would be of essence.

To assist with implementation, a PAR Task Force was created made up of the State- and entity-level ministers responsible for public-administration reform, the Mayors of Brcko, Sarajevo and Banja Luka, the heads of the Civil Service Agencies, BiH experts (such as auditors), and members of the International Community, including the European Commission.

The Task Force will work according to five core objectives:

- Public administration needs to become cost-effective and efficient, and downsize where appropriate;
- It has to be able to manage public funds, taxpayers' money, reliably and efficiently;
- It has to be run by professionals, not political-party appointees, at all levels of Government;
- Funds available to the administration have to be used transparently and in accordance with EU best practice;
- The administration has to serve citizens, not politicians.

The aim was to arrive at a comprehensive PAR strategy by autumn 2004.

Defence And Intelligence Reform

The unfolding of the ORAO scandal starting in March, over illicit arm sales by the RS to Iraq in violation of UN sanctions, became the catalyst for extensive defence reforms. It also forced the resignation of Mirko Sarovic as a member of the BiH Presidency on 4 April 2003, and gave new impetus to calls for greater political accountability in BiH.

On 2 April 2003, OHR issued several defence-related Decisions to help address the systemic weaknesses exposed by the ORAO scandal. They included amendments to the Entity Defence laws and constitutions in order to ensure that a similar situation would not arise again.

On 9 May 2003 the High Representative took one step further and established a "Defence Reform Commission," chaired by former US Assistant Secretary for Defence James Locher, and tasked with proposing fundamental changes to the Command and Control of the Armed Forces in BiH. In addition to correcting problems exposed by the ORAO scandal, it will also consider how to overhaul the BiH Armed Forces and bring BiH closer to eventual NATO Partnership for Peace membership. The Commission is expected to complete its work by mid-September 2003.

Other significant developments in the defence area included an agreement on Terms of Reference for the Secretary General of the Standing Committee on Military Matters (SCMM), and his inclusion in the BiH Council of Ministers, although not yet as a full member with voting rights. On a more practical level the SCMM's Secretariat started to expand (from 9 to around 88 personnel) during the reporting period, allowing it Secretariat to begin operating as a fledgling 'ministry.'

Following on the heels of the ORAO scandal, SFOR revelations that the RS intelligence service had been spying on the International Community, neighbouring countries and even the Federation gave rise to another major reform initiative. An Expert Commission on Intelligence Reform (ECIR) headed by a former senior Hungarian intelligence official, was launched at the end of May 2003. The Commission was tasked to produce a proposal for a single intelligence structure for BiH. It was due to produce the necessary legislative changes and other legal instruments, in line with democratic principles and practice elsewhere in Europe, in autumn 2003.

Ensuring that extreme nationalists, war criminals, and their organised criminal networks cannot reverse peace implementation

On 7 March, the OHR, the United States and SFOR struck at the financial, logistical and security support networks that have

allowed Radovan Karadzic to evade arrest for 7 years.

The OHR kicked off the operations by enacting amendments to relevant laws, which would allow banking agencies to block assets and prohibit future transactions of individuals and companies that obstruct the Dayton/Paris Peace Agreement. The High Representative then proceeded to use these new amendments to place "Blocking Orders" against two individuals, Momcilo Mandic and Milovan Bijelica, and two companies, Manco Oil and Privredna Bank Srpsko Sarajevo. From then on, all bank accounts in their names were frozen and transferred to the Central Bank.

Mandic was known as Karadzic's chief financier. His association went back to the early 1980s when he allegedly helped Karadzic avoid justice in an earlier corruption scandal. He was also a well-known war profiteer.

Bjelica was also a key player in the shadowy invisible structure behind Karadzic's security operation. He served as Karadzic's go-between, his messenger with the outside world. He was also known to have links to arms dealing, extortion, and various other smuggling activities. In addition to imposing a Blocking Order on him, the High Representative/EUSR also removed him from his position as the Chairman of the Srpsko Sarajevo Municipal Assembly.

The United States acted in parallel to block the above-mentioned individuals' and companies' assets held in the United States, invoking its Presidential Decree of 27 June 2001.

SFOR launched an all-day support operation, involving raids on RS armed forces offices and related facilities in Banja Luka, Bijeljina, Pale, and Lukavica. Documents, computer hard drives, floppy discs etc., were confiscated. Analysis was still ongoing at the end of the reporting period.

On the 16th of April 2003, the EU Council added its support to the OHR's and the IC's efforts by putting in place a visa-ban against a number of individuals suspected of obstructing the ICTY in its mandate and providing material support to PIFWCS (2003/280/CFSP). The list of individuals was due to be expanded in July 2003.

During the first half of 2003 the plan for domestic trial of war crimes in a special panel of the Court of BiH was subject of discussion between OHR, ICTY, the Ministeries of Justice as well as the Prosecutors of both entities and state. In addition both the OSCE and the Council of Europe were invited to offer their views on the proposals under discussion. The recommendations resulting from the consultations with these groups and ICTY were presented to the Peace Implementation Council Steering Board (PIC SB) on 12 June 2003. The PIC SB decided that a War Crimes Chamber within the Court of BiH and a War Crimes Department within the State Prosecutor's Office had to be established. The OHR was tasked to co-ordinate the implementation of the project in co-ooperation with the BiH authorities and the relevant international organisations.

Promoting the sustainable return of refugees and displaced persons

The number of refugees returning continued to be high, exceeding 102.000 in 2002. According to UNHCR statistics, the total of registered returns to and within BiH has risen to nearly 1 million people, including 390.000 so-called minority returns. In the reporting period the State Ministry for Human Rights and Refugees, together with the relevant entity ministries, continued to assume a greater leadership role in the return process and moved closer towards ownership of the remaining process. The January 2003 endorsement by the Peace Implementation Council of the Annex VII strategy, which was drawn up by the BiH authorities, UNHCR and the OHR, further underlined this trend. Beyond recognizing the need to

facilitate as many as 500,000 additional returns in BiH under domestic leadership over the next four years, the Strategy provides a roadmap to build additional capacity within domestic institutions to take on these tasks as International Organizations scale down their operations, recalibrate resources to address other priorities, and in some cases, phase out completely. The Strategy calls for the Reconstruction and Return Task Force (RRTF) to draw down by the end of 2003.

Property Law Implementation (PLIP) made decisive progress during the reporting period. The countrywide repossession rate of 67% promises nearly full implementation by the end of this year. A source of concern is the large urban centres such Sarajevo and Banja Luka however, as they lag well behind the Entity averages. As approximately 40.000 claims remain unimplemented in both Entities, the focus now is to ensure adequate budgeting for alternative accommodation. In addition, the domestic authorities, with the assistance of the international community, will introduce a package of minor amendments to the property laws to ensure adherence to the principles of transparency and rule of law embodied in the New Strategic Direction for Property Law Implementation. As partners, the international and domestic institutions will also work to ensure a smooth transfer of CRPC.

However the success of the PLIP raises increasing concerns about discrepencies in the property laws across the region. This needs to be addressed throughout the former Yugoslavia. There remains some 21.000 Croatian Serbs who occupy the homes of others and who still seek to either repossess their homes in the Republic of Croatia and/or return. Increasingly, these families face eviction under BiH's laws without their own long-term housing solutions because the recent amendments to the property laws in Croatia have not gone far enough and have yielded few real results. Similarly, pre-war residents of other neighboring countries in the region (Slovenia) have

approached the OHR with concerns about their own eviction and their inability to repossess property and return to their own prewar homes in the region. Solutions within Croatia and other former Yugoslav states must be identified for these individuals.

As returnees attempt to reintegrate into society, combined domestic and international efforts must ensure that their return is sustainable. The legal framework necessary to ensure returnees' unbiased access to socio-economic facilities and opportunities is largely in place, but information on and enforcement of the applicable laws and agreements remains limited. To increase returnees' awareness of their rights, the OHR has developed a number of public information campaigns that provide information on access to employment opportunities, education, health, and utilities.

Although the OHR is on track for the draw down of RRTF, and the handover of responsibility to local authorities at the end of 2003, there are still major tasks ahead. Draft legislative amendments have been agreed on some items, but must still be presented to the BiH parliaments. Discussion still continues on two important institutional aspects: the Return Fund and the prospective BIH institution which should review CRPC claims.

The fact that at a time when refugees and Displaced Persons are returning in large numbers, international financial assistance is rapidly decreasing, is a concern – especially when domestic funds remain insufficient to cover needs.

BiH in the Region

Nervousness persisted in BiH about regional developments, notably the Kosovo status question and repeated unhelpful statements during the reporting period from Serbian political leaders. Swift responses from HR Solana and Commissioner Patten helped calm things, and the new FRY-BiH border

agreement expected during the second half of 2003, should be important as well. It remained absolutely vital that the EU continued to de-link BiH from the Kosovo final status question and from Serbia and Montenegro's constitutional developments.

The 12 March 2003 murder of Serbian Prime Minister Zoran Djindjic was a terrible blow to the region. The best tribute to Zoran Djindjic's memory would be to continue the work in which he was engaged to secure progress and stability in the region, and its integration into mainstream Europe, and in so doing to demonstrate that attacks such as this cannot defeat democracy. Increased co-operation between BiH and its neighbours in the fight against criminal networks was an immediate consequence of the Djindjic assassination.

A significant step was reached between BiH and Croatia when Croatia managed, in January 2003, to ratify the provisionally applied Agreement on the determination of border crossings of 6 April 2001. In parallel, the newly constituted BiH Presidency and President Mesic initiated a draft Agreement on local border zone regimes, as well as three annexes to the Co-location Treaty of 17 June 2002. These documents are now waiting to be signed by both foreign ministers.

BiH and European rapprochement process

On 1 January 2003, the European Union Police Mission (EUPM) began operations in Bosnia and Herzegovina (BiH). It followed on from the UN International Police Task Force (IPTF) operation and is intended to build on and secure the IPTF's successes in police reform. The EUPM is the European Union's first crisis management operation under the European Security and Defence Policy. The Mission consists of 500 police officers and 50 civilian experts from 33 states, led by Police Commissioner Sven Frederiksen, under the overall supervision of Lord Ashdown as Special Representative of the European Union.

From the outset, the EUSR/High Representative made clear his intention to implement requests by the EUPM Commissioner to remove from office, in extreme cases, non compliant police officers, as well as his commitment to apply political pressure as needed on domestic authorities to assist EUPM in the performance of its mandate. The deterrent power of removals had, at the time of writing this report, sufficed to ensure local police compliance with EUPM recommendations.

The first half of 2003 marked important steps forward in BiH's process towards eventual EU integration. In April, the European Commission launched a Feasibility Study on BiH, within the Stabilisation and Association process, to assess the country's readiness to undertake negotiations on a Stabilisation and Association Agreement. The result was expected toward the end of 2003. The June Thessalonica Summit also helped give practical expression to the Feira European Council statement that BiH, like its neighbours, was a potential candidate for future EU membership. It provided for the extension and adaptation to the Western Balkan of some of the instruments, which have proved so effective in the central and southern European candidate countries.