

# **Communiqué by the PIC Steering Board**

(1) The Political Directors of the Peace Implementation Council (PIC) met in Brussels on 11 December under the chairmanship of the High Representative, Paddy Ashdown. Representatives of the BiH authorities, led by Chairman of the Council of Ministers Adnan Terzic, Treasury Minister Ljerka Maric, and Entity Prime Ministers Ahmed Hadzipasic, and Dragan Mikerevic, attended part of the meeting.

## **Euro-Atlantic Integration**

2) The PIC Steering Board noted the outcome of the EC's Feasibility Study and the 4 December NATO Ministerial meeting, which set out clearly the steps BiH needs to take in order to be in a position to meet both its aims of starting negotiations on a Stabilisation and Association Agreement and joining the Alliance's Partnership for Peace. The PIC Steering Board underlined that it was for the BiH authorities themselves to take the actions required, and that this should commence without delay and should form the major part of their core reform efforts in 2004. The Steering Board emphasised that a positive final decision by the Commission is by no means a foregone conclusion. It underlined the scale of the task at hand, and urged the BiH authorities to tackle this with vigour and determination. It pledged its full support to them in doing so. The responsibility for a successful outcome in both processes lies completely in Bosnia and Herzegovina's hands.

3) The Steering Board welcomed the commitments of Prime Minister Terzic and the BiH authorities to make significant and rapid progress on the 16 areas identified as priorities for action in the EC's Feasibility Study by summer 2004. It reminded the BiH authorities to be fully aware of the necessity of implementing these commitments in a satisfactory way and on time, in order to favour a positive assessment of the study.

## **The Economy**

4) Principal Deputy High Representative Donald Hays briefed the Political Directors on the consensus reached during discussions on Wednesday among PIC economic experts, the international financial institutions and aid agencies, the OHR and the BiH authorities on the current state of the BiH economy and the reforms that are needed to kick-start self-sustaining economic growth.

## **BiH Authorities' Work Plan**

5) Prime Minister Terzic briefed the Steering Board on progress that has been made in implementing the agenda for reforming BiH's public administration. The three prime ministers agreed on a public-administration reform agenda on 28 March 2003. Secretary-General of the Standing Committee on Military Matters Enes Becirbasic briefed the Steering Board on the BiH authorities' strategy for implementing Defence reform.

6 ) The PIC commended the BiH authorities on the progress made in implementing the Mrakovica Action Plan approved in July.. The PIC noted that the successful process of drafting and approving the medium-term Development Strategy (PRSP) reflects a pragmatic approach by the BiH authorities on which further progress can be built. The PIC urged the BiH authorities to implement the PRSP measures and reforms without delay, concentrating particularly on key priorities needed to meet the requirements identified in the EC Feasibility Study and the structural reform process.

7) A new capacity for consensus has also been evident in other priority policy areas during 2003. The Steering Board welcomed the progress to date on defence and, up to a certain point, indirect tax reform. It regretted the delays in implementing intelligence reform, however, and stressed the need to press ahead with this urgently. It also expressed concern about delays in indirect tax reform.

8) The PIC welcomed the fact that the reform agenda was increasingly being carried out through the domestic legislative process, rather than through impositions by the High Representative and often by means of innovative constitutional change, which has, for the first time, used Dayton to transfer new competencies to the State level.

## **ITA**

9) The Steering Board expressed concern that the Indirect Tax reform, hitherto an example of progress, was now considerably behind schedule, and urged the BiH authorities to make progress by the end of December in harmonizing the Law on the Indirect Taxation System, which has been passed by both assemblies of the BiH parliament in different versions, and to ensure that it is finally passed and gazetted in a form that meets the requirement for EC funding. Once this is done the respective governments should urgently appoint members of the Governing Board, and take necessary steps including reorganizing the customs administrations and making the necessary preparations for the earliest possible introduction of VAT.

## **Defence Reform**

10) The Steering Board warmly welcomed the passage of almost all of the Defence Reform Commission's legislative recommendations, opening up the prospect for BiH to be considered for membership of NATO's Partnership for Peace. It noted that NATO had urged BiH to regard the Istanbul Summit in June 2004 as a realistic target for the country to join PFP, subject to BiH meeting the established conditions for membership by then. The Steering Board urged the BiH authorities to make rapid progress on all outstanding membership conditions. In addition to full cooperation with the ICTY, the Steering Board emphasised in particular the passage of the remaining defence-related legislation, transferring competencies from the Standing Committee on Military Matters Secretariat to the new Ministry of Defence, and the earliest appointment of the Minister of Defence and the two deputy Ministers of Defence, the Chief of the Joint Staff and the two deputy Chiefs, and the Commander, Operational Command and two deputy Commanders.

11) In order to oversee the implementation of the DRC's recommendations in time for the Istanbul Summit and to further enhance the coordination of the IC's support for Defence reform, the Steering Board welcomed and expressed its broad support for the proposal put forward by DRC Chairman James Locher to expand and refocus the DRC's mandate. The Steering Board acknowledged with gratitude the essential support provided by a number of bodies, especially the OSCE, in defence reform, including the OSCE's refocused and strengthened role in the next phase, as outlined by the DRC Chairman. The Steering Board asked Mr Locher to continue discussions with the BiH authorities with a view to the High Representative extending and adjusting the DRC's mandate accordingly.

## **Intelligence Reform**

12) In sharp contrast to the progress cited above, the Steering Board noted the CoM's dilatory approach to the Law on the Intelligence and Security Agency. This is of particular concern. BiH needs a modern and professional intelligence service. This is urgent in the face of the global threat from terrorism. It matters too in the context of BiH's aspirations to develop much closer relations with, and one day to join, NATO and the European Union. The Steering Board gave its full support to the High Representative's announcement of a 15-December deadline by which the CoM must adopt the Law and send it to Parliament, for enactment by the end of February, and make the Intelligence Agency operational by 1 March 2004. To make technical preparations ahead of the Law's adoption the Steering Board supported the idea of the CoM appointing an ad hoc Intelligence Reform Working Group, to assist Ambassador Kalman Kocsis.

## **Mostar**

13) Senior Deputy High Representative Werner Wnendt briefed the Steering Board on the progress that has been made by the Mostar Commission since it was launched by the High Representative on 17 September. Agreement has been reached on a broad range of fundamental issues, making it possible for Commission Chairman Norbert Winterstein to make clear recommendations for an administrative solution that will provide the citizens of Mostar with a permanent framework in which to rebuild their city and secure their livelihoods. Mr Winterstein's report will be published on 15 December.

14) The Steering Board commended Mr Winterstein and the members of the Commission for the substantial progress they have made in formulating a viable and equitable solution in order finally to resolve a problem that has cast a major political and economic shadow over the postwar recovery of BiH as a whole. The Steering Board will give its full support to the implementation of a solution to the issue of Mostar based on a single coherent city administration with effective guaranteed power-sharing mechanisms which prevent any one people having majority control of the City Council. The Steering Board will act to ensure that implementation of the plan in the coming months has the necessary political and economic support.

## **Rule of Law**

15) Senior Deputy High Representative Bernard Fassier briefed the Steering Board on the development of the war crimes project implementation. Steering Board and other EU member states, EU accession countries and Switzerland and Norway were invited to a donors' conference organised by OHR and hosted by ICTY in The Hague on 30 October. At this conference 16.1 million Euros was pledged for the first two years of the project. The inaugural session of the Joint-Executive Board of the multi-agency implementation task force (established by OHR at the request of the Steering Board) was held on 5 December. The 10 multi-agency working groups started their work at the same time. The next round of working-group and JEB meetings is scheduled for mid-January 2004

16) Ambassador Fassier also briefed the meeting on the process of establishing a single High Judicial and Prosecutorial Council, supported by the PIC members, OSCE and CoE. A draft agreement has been prepared. This has been approved by the FBiH House of Representatives and is expected to be approved by the House of Peoples soon. It has yet to be debated by the RSNA. This is an EC Feasibility Study requirement, and must be enacted in time for the BiH Parliament to adopt the Law on a Single HJPC early next year, so that a single HJPC can be established by 1 April 2004. This is essential, since the mandate of the IJC and the current three HJPCs expires at the end of March 2004.

17) The Steering Board agreed to continue to explore possible options to establish a civil asset forfeiture procedure. It was agreed to assess the practicalities of such a regime as part of establishing the State Court and State Prosecutor's Office.

18) The Steering Board endorsed the Rule of Law Pillar's strategy on implementing the project on war-crimes trials and on establishing a single High Judicial and Prosecutorial Council at the BiH State-level.

19) The Steering Board called for progress by the end of December on the State Information and Protection Agency (including identification of permanent viable premises for the agency, and adoption by the CoM of the new package of legislation regulating a strengthened agency with police powers).

## **2004**

20) The Steering Board expressed support for the OHR's priorities in 2004, and agreed in principle to its revised Mission Implementation Plan. The Steering Board welcomed the High Representative's intention to focus on assisting the BiH authorities in ensuring the effective operation of State level institutions, including SIPA, and the new Ministries established under the Council of Ministers Law. It also welcomed the intention to focus on improving the effectiveness of the police in BiH, in close co-operation with EUPM.

21) The PIC Steering Board welcomed the High Representative's agreement to extend his term of office until May 2005, and warmly endorsed this. The PIC Steering Board noted and strongly supported the High Representative's determination to support the reform agenda, with the aim of steadily drawing down the OHR's activities and moving resolutely towards the point at which BiH is a fully viable state, irreversibly on course for Euro-Atlantic integration.

22) The next meeting of the PIC Steering Board will take place on Thursday 1 April 2004 in Brussels