

## **Communiqué by the PIC Steering Board**

The Political Directors of the Peace Implementation Council (PIC), meeting in Sarajevo on 25/26 September under the chairmanship of High Representative Paddy Ashdown, welcomed the commitment of the BiH authorities urgently to adopt and implement strategic reforms in defence, intelligence and taxation, and to demonstrate that they have the political will to implement economic reforms that will deliver tangible benefits to the people of BiH.

The Steering Board also expressed its support for the Commission established by the High Representative to forge an agreement on the future of Mostar as a unified city, and it considered proposals by the Rule of Law Pillar to consolidate the reform of the BiH judiciary and to launch a new front in the fight against organised crime.

### **Defence Reform**

Defence Reform Commission Chairman James Locher III briefed the Steering Board on the Commission's Report and its recommendations.

The High Representative and the Steering Board commended the cooperation and forward thinking shown by the Commission members, and congratulated James Locher for chairing the Commission so effectively, and for his enormous personal contribution.

They reaffirmed that Partnership for Peace (PfP) represents a significant opportunity to underpin peace and stability in BiH, and that adopting and implementing the Defence Reform Commission's proposals in full is an important step towards making BiH a credible candidate for PfP, by putting BiH's armed forces under civilian control at the State level. They also urged the BiH authorities to fulfill their other defence-related obligations covering Bosnia and Herzegovina's commitments to the OSCE and accession to the CoE.

The possibility of further financial and technical assistance from members would depend on the BiH authorities adopting the proposed defence reforms in a timely manner.

The Steering Board also expressed its thanks and farewell to departing COMSFOR Lieutenant General William E. Ward.

### **Customs and VAT reforms**

Federation Finance Minister Vrankic, on behalf of the Indirect Tax Policy Commission, briefed the Steering Board on the Commission's draft Law on the Indirect Taxation System in Bosnia and Herzegovina, which provides for the merger of the Entity and Brcko District customs services and the introduction of countrywide VAT. Prime Minister Terzic briefed the meeting on the current status of the draft law.

The Steering Board thanked Commission Chairman Joly Dixon and expressed appreciation for the skill and leadership with which he brought the work of the Commission to a successful conclusion. The Steering Board underlined that these reforms offer BiH the best chance to end waste, duplication and fraud in BiH's customs service. Moreover, these reforms are a necessary part of the process of bringing BiH's institutions into line with European standards, and are a prerequisite for successful European integration. A single customs administration and a modern system of VAT will also make BiH a more effective single market, and a more attractive destination for investment that creates jobs.

However, the Steering Board noted that the Council of Ministers has yet to consider the draft law, despite the fact that it had been presented to them at the beginning of August. The Steering Board urged the Council of Ministers to adopt the draft law and to put it to parliament, noting that if the law is not enacted by the BiH Parliamentary Assembly soon, its 1 January 2004 implementation date will be missed. This would mean that improving State finances is unnecessarily delayed and millions of KM that should be being spent on improving services for citizens will instead continue to be diverted to illegal circuits.

### **Intelligence Reform**

Intelligence Reform Commission Chairman Kalman Kocsis briefed the Steering Board on the Commission's Law on

the Intelligence and Security Agency. Ambassador Kocsis noted that recent developments have highlighted the urgency of establishing a modern and professional intelligence service under proper State control.

The Steering Board applauded the expeditious work of Ambassador Kocsis and the members of the Commission. The Steering Board recognized that the Commissioners worked exceptionally hard and professionally to meet the deadline, and their cooperation bodes well for the new Agency.

The Steering Board noted that the draft Law on the Intelligence and Security Agency for Bosnia and Herzegovina ranks among the best such laws in Europe and provides a sound basis for securing and maintaining public consent for the activities of the intelligence-security sector while allowing the future Agency to carry out important tasks.

The Steering Board strongly recommended that the Council of Ministers and the Parliamentary Assembly consider and pass the draft Law as soon as possible and, in doing so, take a decisive step to ensure that the intelligence-security sector is put firmly back into the service of this country's citizens and the State of BiH.

### **Mostar**

Senior Deputy High Representative Werner Wnendt briefed the Steering Board on the work plan of the Commission tasked by the High Representative with securing agreement on a unified administration for Mostar. The Steering Board expressed its full support for the Commission, which was established by the High Representative on 17 September at the request of the political parties represented in the Mostar City Council. The Steering Board attaches high importance to a solution of all pending issues that divide the City of Mostar. It urges all parties concerned to comply with the obligations they formally assumed when they agreed to participate in a cooperative manner in the work of the Commission and signed the relevant documents. The Steering Board noted with satisfaction that all political parties represented in the City Council opted to work within the Commission, and considered it encouraging that the inaugural session on 25 September took place in a positive atmosphere raising the prospect that the members of the Commission will be able to work productively together.

The Steering Board supports the aim of a unified City in accordance with European standards, which promotes the rights of all people and will not allow dominance of one part of the population of Mostar. The Steering Board considers the solution of the Mostar question as essential for the sustainable and peaceful development of BiH.

### **Public Broadcasting System**

The Steering Board took note of the financial crisis of the public broadcasting system in BiH, and encourages Bosnia and Herzegovina to assume its responsibility urgently to address the weakness of the current legal and regulatory framework. The model PBS legislation presented by OHR is considered a good basis for the required legislative changes, which need to be in line with European standards and the DPA, and build on what has been achieved.

The Steering Board furthermore underlined its strong support for the independence of the CRA in view of ensuring the effectiveness and viability of public broadcasting in line with European standards.

### **Refugee Return**

The Steering Board welcomed the significant progress in property law implementation, noting that 88 percent of all property claims had been resolved by the end of August. While complimenting the local authorities, the Steering Board called for redoubled efforts to ensure that the process is completed by the end of this year. The Steering Board also called on the authorities in both Entities to improve conditions for sustainable minority return, and publicly to announce their intention and plans to do so.

### **Economic Reform**

Prime Minister Terzic briefed the Steering Board on progress in implementing economic reforms, including the commitments made at the June meeting of the Steering Board Political Directors, and the targeted reforms listed in the Action Plan of the Coordination Board for Economic Development and European Integration. Prime Minister Terzic said that, the governments were committed to reform. However, the Steering Board is concerned about the slow passage of legislation through the Council of Ministers.

The Steering Board commended the governments for making public commitments and for working in productive

harmony on the creation of a joint Action Plan for specific reforms to be passed by early next year. The Steering Board also welcomed the formation of an intergovernmental working group to accelerate the privatisation process. The Steering Board also noted the progress made by Bulldozer II, and expressed particular satisfaction that this is being driven by regional committees.

However, the Steering Board noted that cumbersome operating procedures and unwieldy administrative structures, particularly in the Federation and BiH administrations, have seriously diminished the capacity of the governments to fulfill their commitments. The Steering Board noted that the Council of Ministers has as yet failed to secure enactment of crucial legislation, such as the BiH Law on Accounting and Auditing and the Law on the Transmission Company, and has failed to make several critical appointments, including that of the Director-General of the Civil Aviation Directorate. The Steering Board reiterated that progress on economic reform would be measured by concrete results rather than unfulfilled commitments.

### **Rule of Law**

Senior Deputy High Representative Bernard Fassier briefed the Steering Board on the creation of appropriate tools enabling BiH to deal with organised crime and corruption (including enactment of a new criminal code and criminal procedure code, and the setting up of the State Court and its Special Panel for organised crime and State Prosecutor's Office and its Special Department for organised crime) and on the reorganization of the Rule of Law Pillar in order to reform the judiciary and particularly to combat organized crime and corruption in Bosnia and Herzegovina more effectively. Ambassador Fassier also reported on the progress of work to establish a Special State Court Chamber for War Crimes in accordance with the prior decision of the Political Directors, and briefed on the joint OHR/ICTY presentation of the project to the UNSC on 8 October and on the plan for a donors' conference at The Hague in late October.

The Steering Board took note of UN Security Council Resolution 1503, which, inter alia, called on the International Community to support the work of the High Representative in setting up the war crimes chamber. The Steering Board called on the BiH authorities and potential contributors to attend the donors' conference at The Hague and to consider how they might support the war crimes chamber in order to permit its earliest possible establishment.

Ambassador Fassier reported on progress in implementing the previous decision of the Steering Board for transition of the Human Rights Chamber to a domestic institution. He informed the Political Directors that an agreement for this transition has now been signed by the governments of both Entities and the State. The Steering Board welcomed this agreement.

Deputy Head of the Rule of Law Pillar Bill Potter advised the Steering Board that the merger of the Entity High Judicial and Prosecutorial Councils, the reappointment of judges and prosecutors, and the transition of the Independent Judicial Commission into the permanent national Secretariat of the HJPC will not be complete until early 2004. As a result, the Steering Board agreed to extend the Independent Judicial Commission's mandate, as well as the transitional period of the High Judicial and Prosecutorial Councils, until 31 March 2004. The Steering Board strongly supported the establishment of one single HJPC at the State level and urged the BiH authorities to contribute to this without delay.

The Steering Board also considered the introduction of a BiH Civil Asset Forfeiture Bureau, which would be empowered to commence civil actions to deprive criminals of the proceeds of their crimes, and agreed to keep this issue under review.

### **Budget**

The Steering Board approved the minutes of the Financial Experts' meetings of 18 July and 18 September, including OHR's operating budget for 2004.