

Communique by the PIC Steering Board

The PIC Steering Board met at the level of Political Directors with the High Representative in Brussels, 1 February 2001.

The Steering Board took note of the report on economic development in BiH presented by representatives of the IMF and the World Bank. While economic growth continues, the increase in GDP and improvement of the trade balance developed more slowly than expected. The Steering Board and the High Representative agree that the momentum of economic reform needs to be strengthened and that new steps have to be pursued vigorously. Private investment is a key prerequisite to stop a deepening of the economic and social crisis in Bosnia and Herzegovina.

In this respect, the Steering Board appreciates the persistent efforts of international agencies and the Central Bank of BiH. These have resulted in the elimination of the outdated payment bureaux, effective 5 January 2001, and are directed towards establishing a modern, market oriented private banking sector. The Steering Board also commends the High Representative on his complete revision of labour legislation and on his decisions to end the crisis in pension payments in both entities.

The Steering Board agrees with the High Representative to adapt the priority program for economic reform with the focus on improving tax collection, restructuring the tax system, building the social safety net (including pension reform implementation, veterans benefits, unemployment and health insurance), improving the business environment, promoting foreign investment, accelerating privatisation, developing the agricultural sector and the restructuring and eventual

privatisation of public utilities (including transport, telecommunications, energy). In recognising the importance of these issues the Steering Board asks the High Representative to maintain a high level focus on economic reform and to hold regular joint meetings of the Economic Task Force and Steering Board member countries at expert level, including representatives from capitals. The Steering Board recognises the importance of independent international audits and investigations as instruments to supervise the reform process and takes note of the projects possible financial implications.

The Steering Board welcomes the High Representatives initiative to propose a new balanced State budget providing for the appropriate funding of State institutions. It also emphasized the importance of continued progress in the Brcko District.

The Steering Board welcomes the decision of the High Representative to upgrade the OHR Anti-Fraud activities in order to broaden and coordinate international efforts to curb corruption, in particular governmental corruption, in BiH. The Steering Board supports further steps in terms of legislation and institution building to address structural shortcomings in the areas of criminal proceedings, financial control, prevention of money laundering and reform of the financial police.

The Steering Board expresses its dismay at the painfully slow process in the formation of governments at all levels. In particular, it condemns certain parties and individuals for their uncompromising behaviour as a result of which they have lost sight of their responsibilities, not only towards their respective electorates but towards all citizens of BiH and the State as a whole. The Steering Board urges political parties to meet their obligations in convening Cantonal Assemblies; to elect governments and representatives to the Federation House of Peoples where this has not yet been done; to set up

governments at both the Federation and the state level; and to delegate members to the BiH House of Peoples and enable them to take up their legislative duties without further delay. The Steering Board welcomes the expressed will of democratic forces to work for changes to the benefit of all citizens in BiH. The Steering Board welcomes the decision of the High Representative to impose an interim solution in order to give reassurance to all citizens of BiH that they will be protected from discrimination. The decision also ensures the protection of vital interests of all constituent peoples and others according to the Constitutional Court ruling gazetted on 14 September 2000. It urges the Entity parliaments to cooperate fully in the process devised by the High Representative to elaborate the necessary amendments to the respective Entity constitutions.

The Steering Board welcomes the significant progress toward forging a Common Defence Policy for Bosnia and Herzegovina, and urges the Presidency to conclude the unresolved details without delay. During the discussion it was stressed that further work in the SCMM leading toward full establishment of a state level defense identity will help fulfill an essential condition for BiH to become part of Euro-Atlantic structures and enhance stability in southeast Europe. The Steering Board welcomes the recent deployment of nine observers as part of a joint peacekeeping operation under UN auspices, and actions by the Entity Armed Forces to carry out joint humanitarian activities. As part of the Entity Armed Forces restructuring effort, the Steering Board encourages the SCMM to develop a joint military training and education system for Bosnia and Herzegovina.

It is essential that military expenditures be reduced to affordable levels commensurate with the countrys economy and residual security needs. The 15 per cent reductions in the Entity Armed Forces slated for the end of 2000 should be completed no later than March 31, 2001. All expenditures for

military purposes, as well as the military budgeting process, must be transparent. To that end, the Steering Board urges both Entities to accept the OSCE military budget audit scheduled for March 2001. The Steering Board calls on the FRY to establish a fully transparent relationship with the VRS in line with its commitments under the GFAP.

The Steering Board acknowledges the Financial Experts report of 14 December 2000 and approves the proposed "Personnel Policies for international, national and intern contractors for 2001".