

# **Communiqué by the PIC Steering Board**

The Political Directors of the Peace Implementation Council Steering Board met in Sarajevo on 2 and 3 December under the Chairmanship of the High Representative, Paddy Ashdown. The BiH authorities, led by the Chairman of the Council of Ministers, Adnan Terzic, briefed the Political Directors on progress made since their last meeting, in September, in implementing BiH's broad reform agenda. The Chief Prosecutor of the International Criminal Tribunal for Former Yugoslavia, Carla del Ponte, briefed the Political Directors and the BiH authorities on BiH's cooperation with the ICTY and on the steps that must be taken in order to establish a domestic war crimes trial capability.

## **ICTY Cooperation & the Fight Against Crime**

The Steering Board repeated its unequivocal position that continued unsatisfactory compliance by the BiH authorities, especially those in Republika Srpska, with the ICTY will bring progress on Euro-Atlantic integration to a halt. If a small group of individuals continues to hold the people of BiH back from their European future, further steps will be necessary.

The Steering Board called for urgent implementation of the systemic changes in security and law enforcement structures that were called for at the Istanbul Summit. The Steering Board reminded the BiH authorities that a positive outcome in police restructuring will require the establishment of a single policing structure in BiH and noted the European Commission view that this would require all legislative and budgetary competency vested at the State level and applied in functional areas based on technical policing criteria.

The Steering Board reiterated its full support for the work of

national and international judges and prosecutors in BiH and called on the BiH authorities to show toughness and resolve in their efforts to tackle endemic corruption

The Steering Board called on all countries to assist in the Rule of Law effort by deploying international judges and prosecutors. It also urged the authorities without further delay to adopt concrete measures consistent with the Council of the European Union's decision to freeze the funds and economic resources of people indicted by the ICTY for war crimes.

The efficient administration of justice, a core plank of BiH's postwar rehabilitation, depends on a properly functioning and appropriately remunerated judiciary. The Steering Board fully supports the urgent need to review judicial salaries in order to ensure the proper allocation of funds to enable the judicial system to work effectively.

The Steering Board welcomed the conclusion of the Srebrenica Commission's work and called upon the BiH authorities to build on the work of the Commission by establishing a national commission under BiH auspices to establish the truth about wartime events. The Steering Board expressed its appreciation for the contribution made by SDHR Bernard Fassier to the work of the Rule of Law Pillar and singled out his role in fostering the work of the Srebrenica Commission.

## **Defence Reform & Security**

Defence Minister Nikola Radovanovic briefed the Steering Board on the progress that has been made in implementing reforms required before BiH can secure membership of NATO's Partnership for Peace programme.

The Steering Board supported the extension of the mandate of the Defence Reform Commission to the end of 2005, under the co-chairmanship of Minister Radovanovic and Dr Raffi Gregorian, and under the operational responsibility of NATO HQ

in Sarajevo . This extension should take place in the context of a systematic transfer of responsibilities from the DRC to the BiH Ministry of Defence, as the ministry becomes fully operational. In this regard, the Steering Board urged Minister Radovanovic to complete the staffing of the Defence Ministry as a matter of priority. The Steering Board further emphasized the need to build on the progress that has already been made, and called on the BiH authorities to enhance their efforts in providing the necessary tools for the State of BiH to exercise full and effective Command and Control of the Armed Forces of BiH through the operational and the administrative Chains of Command.

The Steering Board expressed its thanks to the outgoing DRC Chairman, Jim Locher for his indispensable contribution to BiH's defence reform programme. The substantial and sustained progress that has been made would not have been possible without his commitment and skillful advocacy.

The Steering Board noted with satisfaction that the High Representative's Military Advisor and Head of the OSCE's Department for Security Cooperation, General John Drewienkiewicz, will continue to be involved in assisting in the transition of the Defence Reform Commission to NATO leadership and supporting NATO's HQ in Sarajevo in the area of defence reform.

Meeting in the same week that SFOR transferred responsibility for the maintenance of a stable security environment in BiH to EUFOR on the basis of the UN Security Council resolution, the Steering Board thanked SFOR members past and present for their contribution to peace in BiH, which has resulted in a consistent improvement in BiH's overall security situation, allowing a reduction of international troop strength by almost 90 percent over a period of nine years. The Steering Board also viewed with satisfaction the robust operational capability afforded by the EUFOR mandate, a capability that will inter alia allow EUFOR to maintain the safe and secure

environment which prevails today and to support the BiH police authorities, in congruence with the EUPM, in tackling organized crime. The Steering Board expressed its confidence in a cooperative relationship between the BiH authorities, EUFOR and NATO HQ, and it welcomed the inaugural appearance of the BiH Ceremonial Unit and paid tribute to those contributing to it.

## **Economy**

The Steering Board addressed – and urged the BiH authorities to address – the nature and severity of the fiscal challenge facing BiH. The responsibilities discharged by the BiH Government have expanded in line with the European integration process, which requires BiH to develop structures consistent with those in the rest of Europe. With this expansion of responsibility has come an expansion in budgetary requirements. It is imperative, against the backdrop of anticipated improvements in revenue gathering as a result of the customs merger process and the introduction of VAT, scheduled for 1 January 2006, that the authorities at all levels take steps to allocate funds more efficiently and more rationally, so that wasteful overlap of a sort that BiH simply cannot afford is finally eliminated. Consequently, the Steering Board urged all concerned to ensure the enactment of the VAT Law as proposed by the BiH Council of Ministers. The Steering Board welcomed the Prime Ministers' statement in Banja Luka this week committing themselves to introduce a single-rate VAT with zero rates limited to exports. This should be rapidly implemented for the benefit of economic and social development in BiH.

Prime Minister Terzic and Treasury Minister Ljerka Maric briefed the Steering Board on preparations for the introduction of VAT, on the process now underway, following parliamentary approval, to resolve BiH's internal debt crisis and begin repaying money the authorities owe to citizens, and on efforts to consolidate the budget structure.

## **Feasibility Study**

Prime Minister Terzic also briefed the meeting on the progress that has been made by the BiH authorities in meeting the requirements laid down in the EC's Feasibility Study and especially on the steps taken by the government to implement the State Government Strengthening Plan.

The Steering Board welcomed the considerable achievements made by the BiH Council of Ministers in addressing the Feasibility Study priorities, and paid tribute to the Prime Minister's personal engagement. However, it also urged all concerned to resolve rapidly all outstanding Feasibility Study issues and in particular to ensure full implementation of reforms. Among the core causes of the government's inability to carry through the full range of its legislative commitments on time is the irregularity of meetings of the BiH Council of Ministers.

## **Mostar**

The Steering Board reiterated the importance of further progress in the implementation of the new Statute of the City of Mostar.

The next meeting of the PIC Steering Board Political Directors will be in Brussels on 3 February 2005.