

# **Communique by the PIC Steering Board**

## **Towards Ownership: From Peace Implementation to Euro-Atlantic Integration**

### **Executive Summary**

Political Directors of the Peace Implementation Council ( PIC) Steering Board agreed at their meeting in Sarajevo on 22 and 23 June that it was in the interest of all for BiH to take full responsibility for its own affairs. To this end, the Office of the High Representative (OHR) will immediately begin preparations to close on 30 June 2007. The Steering Board agreed to review and confirm in early 2007 the OHR closure, taking into account the overall situation in BiH and the region. The Steering Board will then seek endorsement of such closure by the UN Security Council.

The Steering Board shared the view that the nature of IC involvement in BiH had to change as BiH moved from peace implementation to Euro-Atlantic integration.

As the IC changes the nature of its engagement in BiH, the upcoming elections have special significance. Politicians elected on 1 October will be responsible for ensuring effective government in the interests of all BiH citizens.

The Steering Board was informed of EU deliberations regarding a reinforced EU engagement in the context of OHR closure. It expressed the view that a reinforced EUSR Office would constitute an important part of the EU's comprehensive engagement after OHR. The Steering Board looked forward to a continued exchange of information on the respective planning processes.

The IC will remain fully engaged with a reinforced engagement by the European Union and the continued presence of EUFOR, the EU Police Mission, NATO and other international actors.

The Steering Board underlined that it would not tolerate any attempts to undermine the Dayton Peace Agreement - before or after 30 June 2007. Political Directors reaffirmed that Bosnia and Herzegovina (BiH) is a recognised sovereign state whose territorial integrity is guaranteed by the Dayton Peace Agreement.

The Steering Board strongly supported the government of BiH's aspiration to conclude a Stabilisation and Association Agreement (SAA) by the end of 2006. The Steering Board also re-emphasised the need to meet the requirements for concluding a SAA with the European Union in order to encourage BiH to move more quickly towards Europe.

Initiatives to improve the well-being of BiH citizens that can be taken forward before the elections include enacting the Higher Education Law, the Law on Obligations and the Pharmaceuticals Law, as well as promoting the centralisation of banking supervision. The BiH authorities must also urgently resolve the dispute over revenue allocation.

Furthermore, BiH politicians must reach agreement on a reformed police force consistent with the three EU principles, through the Police Directorate. In particular, the Steering Board noted that the Police Directorate is a legitimate, technical body, established to produce an implementation plan as required by the Political Agreement, which was adopted by all Parliaments in BiH, including the RS National Assembly on 5 October last year. BiH politicians must also complete the reform of the Public Broadcasting System. These are binding commitments and a precondition for conclusion of the SAA.

The Steering Board also re-emphasised the need for full cooperation with the ICTY, which is also a precondition for the conclusion of the SAA.

The Steering Board noted that the Presidency of BiH has not yet agreed on levels of national representation in the manning of the Armed Forces, as well as force structure and stationing. The Steering Board hopes that a decision

will be reached before 1 July that is consistent with the law and the readiness requirements of a NATO-compatible, single military force.

BiH politicians must make constitutional reform a top priority in order to build a sustainable democracy.

## **Communiqué of the PIC Steering Board**

The Political Directors of the Peace Implementation Council Steering Board, together with representatives of the authorities of Bosnia and Herzegovina (BiH), met in Sarajevo on 22 and 23 June.

The Steering Board underlined that it would not tolerate any attempts to undermine the Dayton Peace Agreement – before or after 30 June 2007. Political Directors reaffirmed that Bosnia and Herzegovina (BiH) is a recognised sovereign state whose territorial integrity is guaranteed by the Dayton Peace Agreement.

This reality will not change, irrespective of the size and nature of the International Community's presence, and the IC will continue to safeguard and build on the achievements of Dayton implementation.

Political Directors agreed that it was in the interest of all for BiH to take full responsibility for its own affairs. To this end, the OHR will immediately begin preparations to close on 30 June 2007. The Steering Board agreed to review and confirm in early 2007 the OHR closure, taking into account the overall situation in BiH and the region.

This decision reflects how far BiH has come since the signing of the Dayton Peace Agreement and presents an opportunity for BiH.

The Steering Board believed that the nature of IC involvement in BiH had to change as BiH moved from peace implementation to Euro-Atlantic integration.

In the meantime, the Steering Board notes that IC involvement in BiH will continue to be considerable:

- The EU has decided in principle to reinforce its presence in BiH in the context of the closure of the OHR. The Steering Board welcomed this decision and expressed the view that this could include a role for the EU Special Representative in coordinating meetings of the IC and engaging with BiH counterparts on a range of issues, including maintaining peace and stability and facilitating the continued reform process, including constitutional reform;
- EUFOR will remain in BiH in 2007 and as long as it is needed. EUFOR's continued presence is a concrete commitment to deter any return to conflict and to maintain a safe and secure environment;
- The EU Police Mission will continue to support the establishment of a sustainable, professional and multi-ethnic police service in BiH;
- NATO will continue to help BiH meet requirements for NATO's Partnership-for-Peace programme, and eventually membership in NATO itself; and
- The United Nations, the World Bank, the International Monetary Fund, the Organization for Security and Co-operation in Europe, and the Council of Europe, together with a large number of bilateral donors, will continue to work with BiH.

The Steering Board noted the good progress in the SAA negotiations to date. It will enter a new phase when the SAA is signed. The target date for this is the end of 2006, which can only be met if BiH authorities continue to engage in the reform process.

As the IC changes the nature of its engagement in BiH, the upcoming elections have special significance. Politicians elected on 1 October will be responsible for ensuring effective government in the interest of all BiH citizens.

The Steering Board noted that in his speech to Parliament on 24 May the High Representative laid out criteria by which parties and politicians can be judged. Areas in which parties can and should make progress before 1 October include:

- The Higher Education Law, which will harmonise standards for courses and examinations across all universities in BiH, a precondition for the Bologna process;
- Draft laws on vocational and pre-school education, and an agency to set standards for primary and secondary education, which should be presented to Parliament;
- The Law on Obligations, which will modernise the commercial code and thus encourage investment and help create jobs;
- The Pharmaceuticals Law, which will create the conditions in which medicines available in BiH can be properly inspected for quality and competitively priced;
- The centralisation of the banking supervision system, which will increase its effectiveness;
- Advancing the work of the Police Directorate, which is preparing a police reform implementation plan in accordance with the three EC principles on police reform, i.e. i) no political interference with operational policing; ii) all legislative and budgetary competencies for all police matters must be vested at the State level; iii) functional local police areas must be determined by technical policing criteria, where operational command is exercised at the local level; and
- Completing the reform of the public broadcasting system, to give citizens a high standard of broadcasting that reflects this country's distinctive heritage.

The Steering Board expressed disappointment over the Parliamentary Assembly's failure to adopt amendments to the constitution following sustained and constructive talks during the past year. It is clear that BiH needs to streamline its government structures to make them more efficient and prepare them for the requirements of European integration. It is also clear that BiH politicians must make constitutional reform a top priority in order to build a sustainable democracy and to make governmental and parliamentary institutions efficient and effective. They will have continued IC support for this endeavour.

The Steering Board noted that the Police Directorate is a legitimate, technical body, established to produce an implementation plan as required by the Political Agreement, which was adopted by all Parliaments in BiH, including the RS National Assembly on 5 October last year. These are binding commitments.

The Steering Board expressed concern that the pace of economic reform has slowed and that public spending is unsustainable. The Entities and other lower-level authorities are borrowing against future revenues and making unaffordable commitments.

The Steering Board urged the BiH authorities to finalise the National Fiscal Council Law and forward it to Parliament as soon as possible. It called on the RS Government immediately to drop criminal charges against the Chairman and Director of the ITA Governing Board.

The Steering Board emphasised that the BiH authorities should resolve the dispute over revenue allocation as a matter of urgency. This is crucial to ensure the proper functioning of lower-level governments and institutions, and to demonstrate the capability of BiH's Finance Ministers to co-operate and take difficult decisions.

The Steering Board noted that progress towards unifying Mostar in the two years since the introduction of the City Statute has not been satisfactory. Following intervention by the High Representative at the end of May, the City Council adopted its 2006 budget and took steps towards completing the city administration and unifying the ethnically divided companies providing public services. However, the principal parties in the Mostar City Assembly have yet to demonstrate sufficient political will to implement fully the unification of the city administration. Political Directors welcomed the role that the High Representative has played to date and supported decisive action, if necessary, to move the process forward.

The Steering Board welcomed the ongoing direct discussions between the Council of Ministers and the Brcko District, the second round of which took place on 20 and 21 June, facilitated by the US Government with the support of the OHR and the Supervisor. The Steering Board urges the parties, in particular the Council of Ministers, to engage intensively to resolve outstanding issues in order to strengthen the relationship between

Brcko District and the State. The decision of the Steering Board on the closure of the OHR increases the urgency of coming to a solution.

The Steering Board noted the continued progress in the implementation of both defence and intelligence reform and commended the efforts of BiH authorities to bring the country in line with Euro-Atlantic standards.

The Steering Board noted that the Presidency of BiH has not yet agreed on levels of national representation in the manning of the Armed Forces, as well as force structure and stationing. The Steering Board hopes that a decision will be reached before 1 July that is consistent with the law and the readiness requirements of a NATO-compatible, single military force.

The Steering Board also urged the Federation authorities to assume its responsibilities for legacy issues of the former Federation Ministry of Defence, as required by law. Failure to do so in the near future will have a negative effect on defence reform implementation in this area.

The Steering Board called on the BiH authorities to engage actively in the process of Public Administration Reform (PAR). This is a key element in rationalising administrative structures so that the civil service can better serve citizens. The PAR Coordinator's Office is finalising a national strategy and an action plan for the State, the Entities and Brcko District, which will lay out the steps necessary to secure quick and substantial progress in this field. The Steering Board urged the State, Entity and Brcko authorities to adopt the national strategy and begin implementing the action plan as soon as possible.

The Steering Board underlined the need for full cooperation with the ICTY. This remains an essential condition for Euro-Atlantic integration. The Steering Board regretted there has not been sufficient progress in 2006, and urged the BiH authorities, in particular those in the RS, to fulfil their obligations and take action to ensure that all remaining indictees, and in particular Karadzic and Mladic, are transferred to The Hague without further delay.

The Steering Board urged the BiH authorities to address in a disciplined and effective manner key rule of law reforms, including continued support for a strong and independent judiciary and the work of the High Judicial and Prosecutorial Council, and the implementation of the National Plan of Action against Organised Crime and Corruption.

The Steering Board also urged BiH authorities to implement recently adopted legislation on the State Ombudsman.

The Steering Board further recalled the fundamental requirement of compliance by BiH and both Entities with Human Rights Chamber decisions, including the Palic case and the case of the missing Sarajevo Serbs, as reflected in the Dayton Peace Agreement and other international obligations.

The Steering Board highlighted the need to take responsibility at State level for providing a better legislative framework for education in line with its international obligations in the European Partnership and as a member of the Council of Europe. In addition, laws on vocational education and training, an agency for primary and secondary education and pre-primary education urgently need to be addressed by the Government and Parliament. The issue of segregation and standards in schools must be taken seriously by the BiH authorities in order to build a sustainable education system for the youth of BiH.

The next meeting of the Peace Implementation Council will be held in Sarajevo on 19 and 20 October 2006.