Communiqué by the PIC Steering Board

The Political Directors of the Peace Implementation Council Steering Board met in Paris on 14 December, under the chairmanship of the High Representative, Paddy Ashdown, on the tenth anniversary of the signing of the Dayton Paris Accords and for the first time following the launch of Stabilisation and Association Agreement negotiations between Bosnia and Herzegovina and the European Union.

Representatives of the BiH authorities, led by Chairman of the Presidency Ivo Miro Jovic and Prime Minister Adnan Terzic, took part in the meeting.

High Representative

The Steering Board formally appointed Christian Schwarz-Schilling as the next High Representative for Bosnia and Herzegovina . The Steering Board looks forward to working with Dr. Schwarz-Schilling when he takes up his duties as High Representative on 31 January 2006, and to working with him on establishing his priorities for the next phase of BiH's journey.

The Steering Board expressed its thanks to Paddy Ashdown, who, since assuming the post of High Representative on 27 May 2002, has overseen sweeping political, economic and administrative reforms that have helped prepare BiH for EU membership. The Steering Board expressed its particular appreciation for the contribution Paddy Ashdown has made in the fields of police, defence, ICTY cooperation, IDP and refugee return, fiscal and judicial reform, for his work on taking forward the Mostar unification process and for his efforts to get the expanded BiH Council of Ministers to operate as an increasingly effective institution of governance.

Stabilisation and Association Agreement Negotiations

The Steering Board congratulated the BiH authorities, under the leadership of Prime Minister Terzic, on meeting the conditions that allowed the opening, on 25 November, of negotiations with the EU on a Stabilisation and Association Agreement. The Steering Board emphasised that the speed of BiH's progress in the negotiations will depend on the commitment and hard work of BiH's political representatives and the effectiveness of its Institutions. They urged politicians to work together so as to secure for the people of BiH the benefits that a closer relationship with the EU will bring. The Steering Board noted that the EU General Affairs Council has called in particular for concrete progress on developing BiH's legislative framework and administrative capacity, the implementation of police reform in compliance with the Political Agreement on Police Restructuring of October 2005, the adoption and implementation of all necessary public broadcasting legislation and full cooperation with the ICTY. The PIC urged BiH to make progress on all reform areas in line with the European Partnership.

Constitutional Reform

Following a briefing by the US Institute for Peace, the Steering Board welcomed the recent Commitment to Pursue Constitutional Reform, signed by leaders and representatives of eight political parties, in which they agreed progressively to develop the constitution of BiH in order to produce a more economical and effective government. The Steering Board urged the parties to meet the March 2006 deadline for the first phase of reform, as they agreed on 21 November in Washington . Steering Board members offered to provide whatever support is required to facilitate this process.

Security Sector Reform

Defence Reform

As the Defence Reform Commission (DRC) concludes its mandate on 31 December, the Steering Board expressed its thanks to all those involved in this remarkably successful reform, and in particular to DRC co-chairs BiH Defence Minister Nikola Radovanovic and Dr Raffi Gregorian.

The Steering Board noted that BiH is now in a favourable position to create a NATO-compatible single military force – though it stressed that those institutions that have assumed functions from the former Entity defence institutions must now be made to function in an efficient and effective manner, without any ethnic parallelism. The Steering Board welcomed the intention of BiH Defence Minister Radovanovic to establish a Defence Reform Coordination Group. This Group can serve as a mechanism for coordinating the actions of the BiH defence institutions with members of the International Community involved in defence-related matters.

The Steering Board thanked NATO for its continuing engagement and support as the implementation of the defence reforms commences in 2006.

Intelligence Reform

The Steering Board welcomed the continued progress on Intelligence Reform, noting with satisfaction the major contribution of the BiH security agencies to the recent arrests of terrorist suspects in Sarajevo . The Steering Board congratulated Ambassador Kalman Kocsis on the successful completion of his mandate as the Supervisor for Intelligence Reform, and welcomed the High Representative's intention to continue to oversee the final consolidation of Intelligence Reform into 2006.

Police Reform

The Steering Board welcomed the establishment of the Directorate on Police Restructuring in line with the Political Agreement of October 2005 and the EC's three principles:

- No political interference with operational policing
- All legislative and budgetary competencies for all police matters must be vested at the State level.
- Functional local police areas must be determined by technical policing criteria, where operational command is exercised at the local level.

The Steering Board urged the Council of Ministers and the appropriate authorities in BiH to ensure that the Directorate is fully staffed by the deadline in the Political Agreement of 31 December, and ready to hold meetings from the start of 2006. Police reform is an essential component of BiH's efforts to work alongside the EU, PIC Member States and other organisations in the fight against terrorism, organised crime and corruption. The PIC will monitor progress on police reform very closely.

ICTY

The Steering Board expressed its dissatisfaction that, 10 years after the end of the war in BiH, the two most wanted war crimes indictees, Radovan Karadzic and Ratko Mladic, remain at large. Their transfer must take place if BiH is to move decisively along the road to Euro-Atlantic integration. The Steering Board therefore calls on the authorities – especially the RS authorities – to pursue this process energetically until all remaining indictees are transferred to The Hague . This remains a fundamental requirement for further Euro-Atlantic integration. The PIC will remain vigilant on this issue. The PIC notes that the recent detention of Ante Gotovina, based on the cooperation of the Government of Croatia, represents the kind of approach that must be forthcoming from the BiH authorities.

Building Functional Government

Efficiency and Obstruction

The Steering Board noted that the political environment in Bosnia and Herzegovina , like the business environment, is still far from optimal. The Council of Ministers, for example, has met only five times in the past three months and adopted only four laws, while two of its nine ministers, as a direct result of party political maneuvering, have functioned for an extended period only in an acting capacity.

The Steering Board also noted with concern the number of items on the reform agenda which are being held up by obstructionism in the RS Government, the effect of which has been to delay the enactment and implementation of laws that will improve the security and quality of life of the people of BiH.

Civil Society

Senior Deputy High Representative Martin Ney briefed the Steering Board on efforts undertaken in the course of 2005 to develop and strengthen political dialogue and civil society in BiH, including efforts to make young voters more articulate and more engaged, efforts to foster a constructive sense of BiH identity among citizens, and efforts to harness the collective energy and enterprise of NGOs and forward-looking government officials.

The Steering Board noted with regret the departure in due course of Ambassador Ney, and thanked him for the dynamic and constructive contribution he has made during his time in BiH.

Education

The Steering Board welcomed the progress made on drafting an agreed Higher Education Law, and called on all responsible BiH authorities to fulfill existing education commitments. The education system as a whole must be a bulwark against ethnic, religious, cultural and any other kind of prejudice or segregation. Efforts to reform education cannot be said to have succeeded as long as children from different ethnic backgrounds go to school at different times in different

classrooms, to be taught a different history by different teachers and do not learn that they are all citizens of Bosnia and Herzegovina.

Fiscal Reform

VAT introduction

The Steering Board noted that the introduction of VAT on 1 January represents a major step forward in BiH's efforts to assimilate its economy with the rest of Europe ; it also represents an important move to bolster fiscal sustainability.

The Steering Board urged the authorities to complete the remaining administrative and legislative preparations for the 1 January introduction and ensure that the earliest possible steps are taken to diminish any impact on the poorest citizens, including taking appropriate steps to prevent opportunistic price rises.

The next meeting of the Steering Board will be in mid-March on a date to be announced.