



THE SECRETARY-GENERAL

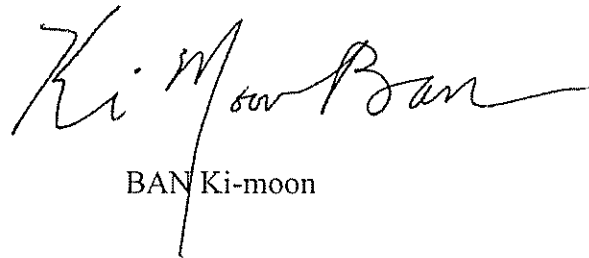
8 November 2010

Dear Mr. President,

Pursuant to Security Council resolution 1031 of 15 December 1995, I have the honour to convey the attached letter dated 21 October 2010, which I received from His Excellency Dr. Valentin Inzko, High Representative for Bosnia and Herzegovina, transmitting the thirty-eighth Report on Implementation of the Peace Agreement, covering the period from 1 May to 15 October 2010.

I should be grateful if you would bring this letter and its attachment to the attention of the members of the Security Council.

Please accept, Mr. President, the assurances of my highest consideration.


BAN Ki-moon

His Excellency
Sir Mark Lyall Grant
President of the Security Council
New York

Dr. Valentin Inzko
The High Representative for Bosnia and Herzegovina

H.E. Mr. Ban Ki-moon
Secretary-General
United Nations Headquarters
New York

21 October 2010

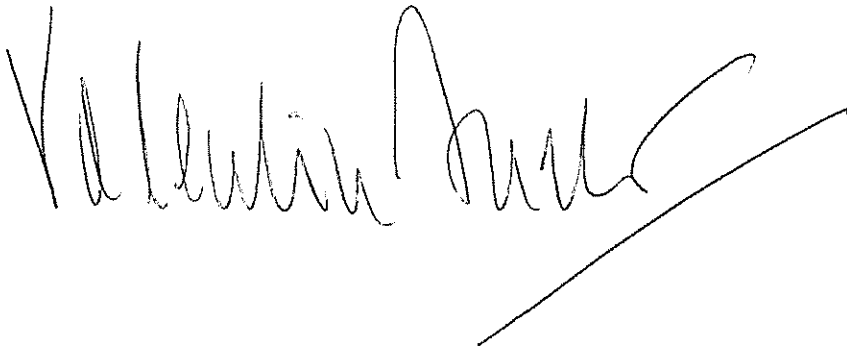
Dear Mr. Secretary-General,

Pursuant to the Security Council Resolution 1031 of 15 December 1995, which requested the Secretary-General to submit to the Council reports from the High Representative in accordance with Annex 10 of the General Framework Agreement for Peace in Bosnia and Herzegovina and the Conclusions of the London Peace Implementation Conference of 8-9 December 1995, I herewith present to you the thirty-eighth Report. I would kindly ask for this report to be distributed to the United Nations Security Council members for their consideration.

This is my fourth report to the Secretary-General since assuming the office of the High Representative for Bosnia and Herzegovina on 26 March 2009. The present report covers the period from 1 May 2010 to 15 October 2010.

Should you or any Council member require any information beyond what is offered in the attached report or have any questions regarding its contents, I should be pleased to provide further information.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Valentin Inzko', followed by a long, sweeping horizontal line that extends to the right.

**THIRTY-EIGHTH REPORT OF THE HIGH REPRESENTATIVE FOR
IMPLEMENTATION OF THE PEACE AGREEMENT ON
BOSNIA AND HERZEGOVINA
TO THE SECRETARY-GENERAL OF THE UNITED NATIONS**

1 May 2010 – 15 October 2010

I. SUMMARY

1. This report covers the period from 1 May 2010 to 15 October 2010. During the reporting period, there has been further progress on addressing the conditions for visa liberalization with the European Union. Apart from this progress, the authorities in Bosnia and Herzegovina (BiH) have failed to address long-needed reforms and as a result there has been no further progress towards EU and NATO integration. General elections were held on 3 October and they were assessed to be generally free and fair by the international election observation missions. At the time of writing, the election results remain provisional.

2. It remains a matter of concern that legal and political actions challenging BiH state-level institutions, competencies and laws, and the authority of the High Representative and the Steering Board of the Peace Implementation Council, have continued and intensified, mainly from the Government of Republika Srpska (RS), one of the two entities in BiH. In advance of the October general elections there was a marked increase in divisive anti-Dayton rhetoric disputing the sovereignty and constitutional order of BiH. Political leaders from RS have repeatedly referred to the future independence of that entity and reiterated their views that BiH is a “virtual and impossible state”. The RS also adopted a new law governing the holding of referendums in that entity. Following the International Court of Justice’s opinion on Kosovo, political leaders from RS made unsubstantiated claims that RS also has the right to self-determination. Moreover, there has been an increase in actions that threaten earlier achievements in coping with and overcoming the country’s legacy of serious war crimes.

3. While RS leaders focused attacks against the BiH state and its institutions, the Federation experienced a number of negative political developments within that entity. These included attempts to rollback on the reform of the civil service and to politicize it. They also included steps to shift responsibilities such as education, culture and public administration from the Federation down to the cantons. In the run-up to the October general elections, some Croat political leaders also openly called for the creation of a third entity within BiH and expressed dissatisfaction with elements of the current electoral system. In this context, relations among members of the governing coalition in the Federation remained strained.

4. The terrorist attack on the main police station in Bugojno on 27 June, where a police officer lost his life, is an indication that security challenges remain present in BiH. However, the overall security situation in BiH remains stable.

5. The BiH authorities have not made progress towards meeting the outstanding requirements set by the Steering Board of the Peace Implementation Council for transition from the Office of the High Representative (OHR) to a reinforced European

Union presence. The RS government has taken unilateral steps to regulate state property by adopting its own RS State Property Law, which - if implemented - would make the completion of the five objectives and two conditions for OHR closure more difficult, specifically in relation to the objectives dealing with the apportionment of state and defence property. In addition, the relevant authorities failed to implement the December 2009 ruling of the European Court of Human Rights regarding discrimination against parts of the BiH citizenry, who are prevented from fully participating in public affairs through a legal prohibition to stand for election and appointment to important BiH state-level institutions. This ruling requires amendments to the BiH Constitution and to the BiH Election Law. The BiH authorities also failed to adopt a state-level Census Law, jeopardizing the country's ability to hold a census in 2011 and postponing progress on a key EU condition.

6. Through its continued presence, the European Union military mission in Bosnia and Herzegovina (EUFOR) has continued to reassure citizens that the environment in the country remains safe and secure despite the difficult political situation. The High Representative supports the extension of the executive mandate for EUFOR.

II. INTRODUCTION

7. This is my fourth report to the Secretary-General since assuming the post of High Representative for Bosnia and Herzegovina - as well as the post of European Union Special Representative - on 26 March 2009. The present report provides a narrative description of progress made towards attaining the goals outlined in previous reports, registers factual developments, logs relevant citations during the reporting period, and provides my assessment of mandate implementation in key areas, not least the objectives and conditions which must be met before the OHR can close. I have focused my efforts on facilitating progress in these areas, in line with my primary responsibility to uphold the General Framework Agreement for Peace in Bosnia and Herzegovina, while also facilitating progress towards Euro-Atlantic integration. Regrettably, a substantial part of my efforts have been dedicated to redressing negative developments, in particular divisive actions taken against BiH state institutions.

8. In August 2010, Dr. Raffi Gregorian concluded his mandate as both Brcko District Supervisor and as my Principal Deputy after over three years of dedicated service, during which he made remarkable contributions to upholding the Dayton Peace Accords, particularly through his promotion of the rule of law, support to efforts to bring to justice persons indicted for war crimes, and in moving decisively forward towards completion of the Brcko District Final Award. In September 2010, U.S. Ambassador Roderick Moore arrived to assume posts as the new Brcko District Supervisor and Principal Deputy High Representative.

III. POLITICAL UPDATE

General political environment

9. On the positive side, BiH has completed the conditions required for visa liberalization with the European Union during the reporting period. The European Parliament voted on 7 October to grant visa-free travel to BiH citizens. The Council of the European Union is expected to confirm this decision in November.

10. At the same time, and despite international efforts to improve relations in the region, the overall political climate inside BiH has deteriorated. In the context of the general elections, held on 3 October, the political atmosphere was marked by provocative and divisive rhetoric. Increased calls for independence from RS officials worsened the political environment, while pre-election politicking contributed significantly to a near stand-still of the reform agenda. As a result, there has been no concrete progress on the Euro-Atlantic integration agenda or in addressing the outstanding objectives and conditions for the closure of the OHR.

General Elections

11. The general elections in BiH were held on 3 October. In its preliminary assessment, the Office for Democratic Institutions and Human Rights (ODIHR) and other international election monitoring missions considered that the elections were free and fair and generally held in line with international standards. However, they noted that the general elections were held in line with the current Election Law and the current BiH Constitution, which have been found to be in violation of the European Convention for Human Rights and its Protocol 12. ODIHR and other international election observers reiterated that BiH urgently needs to amend its Constitution and the Election Law in this regard. The latest figures for voter turnout in the elections at the time of writing was close to 57 per cent. The general elections were conducted professionally by the BiH election authority. However, there are concerns with the high number of spoiled ballots (close to 10 per cent, a level similar to previous elections), and the BiH Central Election Commission is also investigating other claims of election fraud.

12. Election results will be confirmed by the BiH Central Election Commission by 2 November and therefore, at the time of writing, all election results remain provisional. Nonetheless, most established political parties generally did well. In the Federation, the Social-Democratic Party (SDP BiH) received the highest level of popular support, followed by the Party of Democratic Action (SDA). The Croat Democratic Union (HDZ BiH) strengthened its position as the largest Croat party in Bosnia-Herzegovina. The Alliance of Independent Social Democrats (SNSD) remained the largest party in RS. Due to the complex system of allocating compensatory mandates in the BiH House of Representatives, it is too early to state the final composition of the state parliament or the possible makeup of the state government. Given the sharply differing political agendas of the largest parties, the process of forming a state government could take months.

13. The three-member BiH Presidency saw the re-election of the Serb and Croat presidency members (Nebojsa Radmanovic – SNSD and Zeljko Komsic – SDP, respectively) and the victory of Bakir Izetbegovic (SDA) over the incumbent Bosniak presidency member Haris Silajdzic (SBBiH). Following the elections, the previously divisive atmosphere within the BiH Presidency has the potential to become more relaxed. At the same time, one of the candidates for Serb member of the BiH Presidency has filed a complaint with the BiH Central Election Commission (CEC) alleging manipulations in a number of polling stations, which the CEC is investigating along with other complaints.

14. In the RS, the current Prime Minister Milorad Dodik was elected President of that entity with a wide margin. In the Federation, the parliament elects that entity's Presidency, as opposed to direct election by the citizenry, and this process had not been completed at the time of writing.

Challenges to the General Framework Agreement for Peace (GFAP)

15. During the reporting period, anti-Dayton activities have continued (specifically in relation to Annexes 2, 4 and 10 of the General Framework Agreement for Peace), and the use of nationalistic and provocative rhetoric has increased substantially. In particular, political leaders from RS have frequently questioned the sovereignty and sustainability of BiH, claiming that the country is a "virtual state" sustained only by the presence of the international community, that it "does not have a future" and is "something we want to get rid of." Since the International Court of Justice's 22 July advisory ruling that Kosovo's declaration of independence was not in violation of international law, RS officials have mentioned frequently the possibility of a "peaceful dissolution" and the "emergence of a new State", while claiming that "no one can deny RS the right to separate itself from BiH".¹ The same leaders also

¹ "We don't see any use of staying in BiH." 24 July 2010; "I am sure that the day when Serbs will decide about their future in a referendum will come. BiH is a nightmare for the RS, and like any other nightmare, it has to be lasting as long as necessary." 25 July 2010; "We will never forget the fact that the RS is unwanted child in BiH and this ICJ ruling might become useful for us in the future." 27 July 2010; "It used to be said that BiH is little Yugoslavia, and not even the big Yugoslavia managed to survive. How can the small one survive then?" 27 Jul 2010; "I am convinced that Bosnia does not have a future. It can be maintained by force. ... But, it cannot go on forever. Bosnia is not a factor of a long-term stability of the region. And some other solution, I think, is" 27 Jul 2010; "Why not talk about peaceful dissolution? Nobody would build a Berlin Wall, but everyone would be on their own, and we would acknowledge one another better. It would be for the best to build up consensus for a peaceful dissolution in BiH, instead of leading the policy of continued disputes constantly fostered by Sarajevo." 1 Aug 2010; "BiH exists only because of corrupted clerks from the International Community, who like earning enormous salaries thanks to people's suffering, although even they are aware of the fact that BiH is an impossible state" 22 Aug 2010; "Will the RS leave BiH? I am certain that one day, at one point it will, but this has to be in peaceful, civilized and non-violent way and this moment is getting closer, no matter how this may seem to someone" 24 Aug 2010; "Final status of the RS will be resolved within the next four years" 1 Sep 2010; "We love RS, and we are in BiH only because we have to be, because no one needs a BiH such as this, and it should be abolished", 5 Sep 2010; "RS has a future, unlike BiH which does not have that. RS as an independent state would have been happy and successful", 8 Sep 2010; "We have enacted the Law on Referendum, and the Referendum on independence will be then, when I estimate the time for it to be appropriate" 10 Sep 2010; "There are deeds behind SNSD, behind us is the RS, every day closer to its independent status. As soon as we can leave from BiH, we will go" 10 Sep 2010; "If Albanians of Kosovo dreamt for 150 years to have their own state, and they are on the verge of having official confirmation, then Serbs in the RS are entitled to the same. As an ordinary man, I must say I dream of somebody in Brussels or Washington signing a similar resolution for the RS in some 5, 10, 15 years" 11 Sep 2010; "The time has come for us to resolve the final status of the RS according to the "Albanian" model which is instructive for us from the RS. SNSD is a powerful and great party capable of implementing such a great project named independent RS" 11 Sep 2010; "Today the RS is not contested anymore, it is a permanent category, only BiH can be contestable", 12 Sep 2010; "After the ICJ opinion, and great powers' attitude on Kosovo, no one can deny RS the right to separate itself from BiH." 14 Sep 2010; "Republika Srpska will be forever, and Bosnia and Herzegovina as long as it must be", 14 Sep 2010; "My capital is not Sarajevo, I do not acknowledge that, for me besides Banja Luka, Belgrade is the capital." 25 Sep 2010; "Our national interest is clear, and it is called RS where Banja Luka is the capital and Belgrade national capital", 28 Sep 2010; "BiH is possible as a federation of republics, or there will be no more BiH. BiH is impossible as a state, it never was possible, nor will it ever be, and that is not my fault", 4 Oct 2010.

continued to challenge the rulings of the International Criminal Tribunal for the Former Yugoslavia (ICTY) and the International Court of Justice that qualified the massacre by Serbs of Bosniaks who had sought refuge in the United Nations-protected area of Srebrenica in July 1995 as genocide. Remarks by RS politicians such as “there was no genocide in Srebrenica” and “it’s not like all of them perished” not only negated decisions of international courts, but also angered representatives of the other nationalities in BiH.

16. In response to these statements, Federation leaders remained largely silent until after the October elections, when a prominent Federation politician labeled remarks towards secession by RS leaders “a clear violation of the Dayton Peace Accords,” saying that “[i]f the international community does not react, then we will.”²

17. During and after the election campaign, Croat political leaders increased their calls for a third, Croat entity within BiH. In addition, the election to Croat member of the BiH Presidency of Zeljko Komsic, who does not come from a predominantly ethnically-based Croat party, has fueled demands by some Croat leaders for changes in the electoral and political system. Croat political leaders have been publicly supported on this issue by politicians from the RS, and this question could affect government formation.

18. In September, the RS Government tasked the responsible RS authorities to draw up an action-plan to make a precise description of the Inter-Entity Boundary Line (IEBL) and to mark it. The RS authorities have informed the BiH Council of Ministers and Federation Government that a joint commission should be formed for this purpose and that if they failed to respond, the RS would unilaterally proceed with the marking of the IEBL. Annex 2 of the General Framework Agreement for Peace provides for a procedure to mark and delineate the IEBL. Under this procedure, the IEBL may be marked by representatives of the Parties to Annex 2 of the GFAP (Federation and RS), but only in coordination with and under supervision of EUFOR (as the successor to IFOR, which is mentioned in Annex 2). The final authority for placement of such markers shall rest with the EUFOR. Annex 2 to the GFAP also provides that a joint commission composed of an equal number of representatives from each Party shall prepare an agreed technical document containing the precise description of the IEBL, which shall be subject to the approval of the EUFOR Commander. Consequently, no unilateral action on these matters may be conducted by any Party. Any unilateral effort to mark the IEBL outside of the manner prescribed in Annex 2 of the GFAP would constitute a serious violation of the said agreement.

High Representative Decisions during the reporting period

19. RS authorities have so far failed to adopt amendments needed to incorporate the Brcko District into the electricity regulatory framework covering the rest of the country and continue to refuse to publish the High Representative’s Decisions in that

² “It is a clear violation of the Dayton Peace Accord. If the international community does not react, then we will.”; “If someone allows secession which goes unpunished then the rest of the people from Bosnia-Herzegovina will get into the clash, and 1992 to 1995 would look like Disneyland.”; “There would be two alternatives: I find a way legitimately to stop Dodik from breaking the constitution by physical force which I have authority over or I get dismissed and some crazy radical will take over my position and do it.” 12 Oct 2010.

entity's Official Gazette. These actions are in violation of the High Representative's authority under Annex X of the GFAP and various Security Council resolutions, as well as the RS *Law on Official Gazette*.

20. In August, the High Representative issued three decisions lifting bans on persons previously barred from being candidates for elections and from holding any executive office at any level due to obstruction of the General Framework Agreement for Peace. Additional decisions in September and October lifted earlier High Representative orders that had removed travel documents for nine and fourteen individuals suspected of activities, which were, or which threatened to be, obstructive of the peace implementation process. This means that altogether documents have been returned to 74 individuals, while another 40 remain under sanction.

21. The High Representative issued a Decision on 2 September nullifying and voiding a decision of the Assembly of the Western-Herzegovina Canton that had approved a new cantonal government without following established vetting procedures. The Decision was issued to prevent possible violence by opposing factions. As a result of the Decision, the formation of a new government was delayed by several days, which permitted the vetting procedure to take place. In this way, the cantonal government changed hands in a peaceful manner.

Five objectives and two conditions for the closure of the Office of the High Representative

22. No progress was made on the remaining objectives necessary for the closure of the OHR during the reporting period. Following its earlier rejection of the State Property Inventory compiled by OHR in December 2009, the RS authorities undertook unilateral actions that complicated the process of reaching a sustainable apportionment of property between levels of government. On 23 June, the RS Government adopted the draft *Law on the Status of State Property Situated on the Territory of the RS and under the Disposal Ban* (RS State Property Law). This law provides for the RS to assume ownership of all former Socialist Federal Republic of Yugoslavia and Socialist Republic of Bosnia and Herzegovina property located on the territory of that entity, including prospective defense property, and authorizes the subsequent transfer of those properties. At a 14 September special session, the RS National Assembly adopted the RS State Property Law in the second reading. Since the Bosniak Caucus of the RS Council of Peoples invoked Bosniak vital national interest in relation to this law, it has not yet entered force. Formally, it still needs to go through the RS vital national interest mechanism. Should the Law enter into force it would make a negotiated apportionment of State property more difficult and thus also delay the closure of OHR.

23. The State Property Commission met twice during the reporting period, in July and October, but failed to make progress on either a draft *BiH Law on State Property* or on a list of properties needed by BiH institutions. The Commission postponed discussions on the current draft law due to disagreement over the principles underpinning the draft, and in light of the RSNA's adoption of the RS State Property Law, the provisions of which are incompatible with the Commission's draft. The commission also considered a list of property needs submitted by BiH state-level institutions. Although it has been tasked to compile a single list of property that BiH state-level institutions would need to function efficiently, commission members from

the RS rejected a proposal to forward such a preliminary list to the BiH Council of Ministers. These members challenged the validity of the data on which the preliminary list is based, suggesting that state institutions inappropriately referenced the OHR-compiled State Property Inventory as a data source, and suggesting that the intergovernmental commission must evaluate the needs of each state institution before forwarding any list to the BiH Council of Ministers. These members request to receive and review all material on which the preliminary list is based before holding any further discussions on this issue within the commission.

24. The general lack of progress on state property, due to the problems at various levels of government outlined above, has meant that there was also no progress in addressing the apportionment of immovable defense property. Regarding movable defense property the BiH Armed Forces, in cooperation with the US Government, the European Union and the UN Development Program, began destroying around 30,000 rifles in September, which had been donated to the then Federation Army in the late 1990s.

25. Throughout the reporting period, the RS continued to refuse to adopt the High Representative's 18 September 2009 Decisions integrating Brcko into the state electrical regulatory framework.

26. There has been only limited progress in implementation of the two objectives for OHR's closure already declared completed. These relate to the rule of law and fiscal sustainability.

BiH State-level institutions

27. The three-member BiH Presidency held seven regular and five extraordinary sessions during the reporting period. In July, the Presidency agreed to send 45 members of the BiH Armed Forces to the ISAF Mission to Afghanistan and adopted decisions on resolving the issue of surplus weapons, munitions and mines/explosive devices for the BiH Armed Forces. Internal disagreements in the BiH Presidency continued throughout the reporting period. In June, a disagreement broke out over BiH's position regarding the UN Human Rights Council Resolution on the attack by Israeli Forces against a Turkish humanitarian flotilla. In August, the Presidency failed to agree on a joint platform for the BiH Delegation to the 65th session of the UN General Assembly.

28. During the course of their four-year mandates (2006-2010), the outgoing BiH Parliamentary Assembly and Council of Ministers performed poorly in comparison to the previous composition. In quantitative terms the Council of Ministers passed 13 per cent less legislation than the 2002-2006 Council of Ministers, while the BiH Parliament passed 28 per cent fewer laws than the 2002-2006 Parliament.

29. The performance of the Council of Ministers also deteriorated further during the reporting period. Although it continued to meet regularly, it adopted only four new laws and 13 amendments to existing legislation, which is a noticeable decline. Of those laws, one was the final requirement for visa liberalization. It also adopted the Employment Strategy in BiH 2010-2014 that took into account the EU Employment Framework and obligations stemming from the Stabilisation and Association Agreement as well as the European Partnership. Further, it approved the Ministry of

Defense's proposal to send an infantry unit from the BiH Armed Forces to the NATO-led ISAF Mission to Afghanistan.

30. During the reporting period, the work of the BiH Parliamentary Assembly was similarly marked by low productivity and an unconstructive atmosphere, with parties and delegates disagreeing on fundamental issues regarding the functioning of state institutions. As a result, there was only limited progress in addressing EU-related conditions, and the BiH Parliamentary Assembly adopted 18 laws, ten of which were amendments to existing legislation and eight new laws. The BiH Parliament extended the mandate of the Acting Director of the Agency for Prevention of Corruption and Coordination of the Fight against Corruption in fulfillment of another visa liberalization requirement, and it finally adopted the Revised Strategy for Implementation of Annex 7 of the GFAP. Two separate walkouts by the SNSD from the BiH House of Peoples (29 July and 1 September) forced the BiH Parliament to stop work due to a lack of quorum, which blocked the adoption of a state-level Census Law. As a result, BiH may not be able to hold a census in 2011, which may cause significant problems for further progress towards the EU. These walkouts also constitute a problematic precedent of a single party holding decision-making by the entire Parliamentary Assembly hostage.

Republika Srpska

31. The RS Government sought to use the 22 July Advisory Opinion on the legality of Kosovo's declaration of independence by the International Court of Justice in The Hague (ICJ) to make a case for the secession of RS from BiH. To this end, the RS authorities have announced the creation of a Commission of national and international lawyers to examine the implications of the ICJ opinion, indicating that the analysis it produces will form the basis of future policy. Despite the ICJ's 2007 Srebrenica genocide ruling, the RS authorities continued publicly and repeatedly to deny that genocide occurred, while at the same time challenging the authority of the BiH Court and Prosecutor, those institutions most responsible for bringing war crimes suspects to justice as the ICTY winds down its activities.

32. In addition to passing the *Law on the Status of State Property Located on the Territory of Republika Srpska and under a Disposal Ban*, on 14 September, the RS Government adopted an *RS Law on Census in 2011*. Despite warnings from the European Commission as to the lack of international recognition of its results, this Census Law was adopted in June and entered into force in October after the vital national interest panel of the RS Constitutional Court ruled that it did not infringe on Bosniak national interests.

33. On a more positive note, the RS has maintained growth in industrial production, which from January to September 2010 rose by 4.1 per cent over the same period last year. From the monthly point of view, industrial production in the RS in September 2010 rose by 5.7 per cent compared to August 2010 and by 8.1 per cent compared to the average monthly production in 2009 (Republika Srpska Institute for Statistics). The RS has also progressed in settling its debts towards the Brcko District, related to health care and retirement benefits. The measures required from the RS-level of government for the fourth disbursement of funds under the IMF Stand-By Arrangement with BiH were completed on schedule.

Federation of Bosnia and Herzegovina

34. In September, the Federation passed a rebalanced budget with IMF-required belt-tightening measures, despite strong pressure from veterans' groups. This permitted the disbursal of the fourth tranche of the IMF Stand-By Arrangement in mid-October.

35. Within the Federation, relations among members of the governing coalition stagnated, as Croat-Bosniak political relations remained strained. This resulted in numerous vital positions in Federation institutions going unfilled, due to disagreements over ethnic representation and economic projects. As a result, the post of Minister for Spatial Planning, several seats on the Federation Constitutional Court bench, as well as a number of other positions have remained vacant for over a year. Moreover, the Federation has failed to meet obligations under its Constitution for an equal distribution among the three constituent peoples of six key positions in the entity's executive, legislative and judiciary institutions. In addition, moves were taken within the Federation to further politicize the civil service and reverse reforms sponsored by the international community by making a number of new positions political appointments.

36. A number of challenges to the distribution of responsibilities between the Federation and its cantons were brought before the entity constitutional court and could represent a trend towards challenging the entity's authorities. At the same time, the more complex political structure within the Federation entity continued to complicate decision-making efforts during the reporting period.

IV. EUROPEAN PARTNERSHIP PRIORITIES AND VISA LIBERALIZATION

37. There has been limited progress in addressing the European Partnership priorities during the reporting period. With the exception of visa liberalisation, the pre-election period significantly affected the performance of the Council of Ministers and the BiH Parliamentary Assembly in this regard, and as a result key EU conditions, such as the adoption of a state-level census law, a state-level state aid law and necessary amendments to the BiH Constitution and the BiH Election Law, were not met. Reforms designed to create a single economic space (which are also part of the European Partnership priorities), including the adoption of a single law on obligations and the establishment of a single system of banking supervision, also remain blocked.

38. During the reporting period, the BiH Council of Ministers adopted decisions relevant for the initial functioning of the state-level agencies established under the April 2008 police reform laws. In July 2010, BiH Council of Ministers approved staff recruitment plans for the Agency for Forensics, the Agency for Education and Training, and the Agency for Police Support. On 19 August 2010, the BiH Council of Ministers adopted the Book of Rules on Internal Organization for the Directorate for Coordination of Police Bodies of BiH.

39. There has been continued progress in meeting conditions from the visa liberalisation road-map. In May, the European Commission presented a proposal for lifting the visa requirement for BiH citizens provided that the authorities fulfilled all outstanding benchmarks. These relate to strengthening of the capacities of law enforcement, effective implementation of the legal framework for the fight

against organized crime and corruption, the progressive implementation of the action plan from March 2010 on the establishment of electronic data exchange between police and prosecution institutions, and the harmonization of entity level and Brcko District criminal codes with the state level criminal code. Based on its September assessment on progress achieved on these outstanding benchmarks, the European Commission proposed to the European Parliament and the Council of the European Union the abolition of the visa requirement for BiH citizens holding biometric passports. The European Parliament endorsed the European Commission's proposal in its plenary session of 7 October and the Council will consider the same issue in November.

V. PUBLIC ADMINISTRATION

40. During the reporting period, there was limited progress in the reform of public administration, and the civil service remained a target for attempts by leaders to allow greater political control over relevant appointments. The BiH Public Administration Reform Strategy and its various action plans remain only partially implemented. However, a new BiH Public Administration Reform Coordinator has been appointed.

41. Numerous senior service appointments remain long overdue at the state-level, including the appointment of a new Head of the Communications Regulatory Agency (over three years overdue), the Head of the Indirect Tax Administration (almost two years overdue), members of the Communications Regulatory Agency Council (a year and half overdue), and the General Manager of the Company for the Transmission of Electric Power in BiH (one year overdue), all of which affect the efficiency of decision making in these institutions. These failures of the outgoing Council of Ministers will need to be addressed as a priority by the incoming government.

42. During the reporting period, a rollback of crucial international-community sponsored reforms in the Federation occurred. This included measures by five cantons towards establishing their own civil service legislation, following a May 2010 decision by the Federation Constitutional Court declaring certain provisions of the Federation Civil Service Law unconstitutional.

43. In October, the Federation Constitutional Court adopted another decision that disempowered Federation institutions and opened the door to further Constitutional Court challenges to Federation and cantonal legislation. In the ruling, the Court determined that certain Articles of the *Law on Federation Ministries* were not in accordance with provisions of the Federation Constitution, and that education and cultural policy belonged to the competency of the cantons. The Court gave the Federation Parliament six months to harmonize inconsistent provisions with the Federation Constitution, during which time the said provisions shall remain in force on an interim basis. This judgment is the second successful initiative by the Federation President to challenge legislation related to the distribution of entity and cantonal responsibilities. The implementation of this decision will impact future Croat-Bosniak coalitions at the Federation level, as Croats are expected to seek decentralization and broader local autonomy for the cantons.

VI. CONSTITUTIONAL REFORM

44. No progress was made on constitutional reform during the reporting period. The working group established by the Council of Ministers in February to implement the 22 December 2009 ruling of the Grand Chamber of the European Court of Human Rights in the Sejdic-Finci case, failed to reach agreement. In August, the Council of Ministers extended the working group's mandate and instructed it to continue work after the elections. The working group tried to meet again in mid-October, but a lack of attendance by RS members prevented a quorum. Progress on constitutional reform remains critical to make the BiH Constitution fully compatible with the European Convention on Human Rights and to ensure lasting stability and the improved functionality that is necessary to meet the requirements of Euro-Atlantic integration.

VII. ENTRENCHING THE RULE OF LAW

War Crimes Prosecution Strategy

45. There has been little progress towards implementing the War Crimes Prosecution Strategy (Strategy) during the reporting period. Although the number of war crimes investigations and trials has increased slightly, a decision has not been taken on the "sensitivity" criteria that will determine the distribution of cases between the entity and BiH state levels. The deadline for this decision was January 2009. Implementation of the Strategy is now on hold as budget planning cannot be completed until these criteria are agreed.

46. Equally, progress has failed to materialize on the issue of regional cooperation on prosecuting war crimes, another of the Strategy's priorities. No steps have been taken by the BiH Chief Prosecutor to further discuss draft Memoranda of Understanding on sharing evidence with neighboring countries.

47. Progress has nevertheless been made on regional judicial cooperation regarding enforcement of Court decisions. BiH signed amended agreements on mutual enforcement of court decisions in criminal matters with Croatia and Serbia, and on legal aid in civil and criminal matters with Serbia in February 2010. The BiH Ministry of Justice also reached agreements on the mutual enforcement of court decisions in criminal matters and on legal aid with the Montenegro in July 2010. These agreements were signed to prevent convicted persons from fleeing to neighboring countries to avoid punishment.

48. By the end of September, the BiH Ministry of Justice had received four requests for enforcement of criminal sanctions from Serbia and 28 from Croatia, and had forwarded 38 to Serbia and 32 to Croatia. By September, BiH had started addressing these requests for enforcement and confirmed the eight-year sentence rendered in Croatia in the high profile case against noted politician Branimir Glavas for war crimes against civilians.

49. Two cases relating to war crimes charges raised by Serbia also caused considerable impact inside BiH. In the first, Ejup Ganic, a former Republic of BiH war-time Presidency member was detained by the UK authorities on 1 March pursuant to an extradition request from Serbia that alleged Ganic's involvement in the so-called "Dobrovoljacka Street" case. The alleged crime occurred in 1992 and involved a Yugoslav army convoy that came under attack. In July, London's City of Westminster Magistrates' Court rejected Serbia's request for

extradition and immediately released Ganic from house arrest. In its ruling, the London Court stated that “these proceedings are brought and are being used for political purposes and as such amount to an abuse of process of this court” and underlined that the motive for prosecuting was based on “politics, race or religion.”

50. In another controversial war crimes case, on 11 October, the Belgrade Court of Appeals overturned a lower court sentence of 12 years against BiH citizen Ilija Jurisic, ordered a retrial, and released Jurisic. Jurisic had been sentenced for involvement in the so-called “Tuzla Convoy” case involving a Yugoslav National Army convoy that came under attack while withdrawing from Tuzla in May 1992. During the ensuing firefight, an estimated 50 soldiers were killed. Jurisic was arrested at the Belgrade airport in May 2007, and spent three years and five months behind bars. The guilty verdict handed down a year ago triggered sharp reactions among both Croats and Bosniaks, who viewed the case as politically motivated. The date of the retrial is yet to be determined.

National Justice Sector Reform Strategy

51. Implementation of the National Justice Sector Reform Strategy remains poor, due to a lack of political will by the entities, which continue not to attend the sessions of the functional working group, and the unwillingness of the BiH Ministry of Justice to enforce its coordination role. Thus, with around 15 per cent of activities fully implemented and 65 per cent partially implemented during this reporting period, there has been only slight progress, primarily on activities of minor substantive impact. The fourth Ministerial Conference, which took place on 30 June 2010, was symptomatic of the current state of affairs, with the RS Minister of Justice reporting solely on RS successes outside the implementation of the Strategy. The international community continues to monitor the working groups related to the Strategy and, building on past successful coordinated actions, is presently reviewing all projects within the strategy to identify priorities.

Fight against corruption

52. While the perception of corruption remains extremely high within BiH, limited progress can be reported in that respect. As part of the requirements for an EU visa-free regime, the authorities did extend the mandate of the acting director of the Agency for Prevention of Corruption and Coordination of Fight against Corruption in June 2010. However, the appointment of a permanent director awaits the composition of new BiH state-level authorities after the elections and it remains to be seen whether BiH will use the instruments at its disposal to tackle the problem. Considering the high rate of unsuccessful prosecutions in corruption related cases, especially in high profile ones, new emphasis should be given to improve adequate investigative capacities dedicated to the fight against corruption and to strengthening the mechanisms of police-prosecutor coordination.

Other Rule of Law issues

53. The High Representative’s Decision of 14 December 2009 enacting amendments to the *Law on the Court of BiH* and to the *Law on the Prosecutor’s Office of BiH*, extended the mandates of international judges and prosecutors working on war crimes cases for an additional three years. In light of the reduced budgetary support pledged

by international donors - 6.4 million out of a total of 8.5 million Euros requested - the Registry of the BiH Court and of the BiH Prosecutor's Office successfully transitioned most of their national staff to the BiH budget on schedule.

54. In light of the expected progressive decline of international assistance, the Registry's draft budgets for 2011 and 2012 are yet to be revised. Key international donors and the Registry also agreed to draft an institutional development plan that would incorporate financing and transition of staff, staff careers and operational costs over a 3-5 year period. In terms of staff deployment, the Court of BiH has a total of five international judges for war crimes cases, following the departure of one judge in the course of the summer. The BiH Prosecutor's Office should soon get a fourth international prosecutor for the Special Department for War Crimes. While recruitment of almost all budgeted international positions was successful, two of the four positions of advisors in the department dealing with organized crime in the Prosecutor's Office were not yet filled at the time of writing.

55. The Federation Constitutional Court still lacks three judges, which prevents it from ruling on vital national interest cases. The outgoing Federation President has played a central role in delaying these necessary appointments by challenging the High Judicial and Prosecutorial Council's (HJPC) role in selecting and proposing candidates, arguing that the HJPC should simply verify whether candidates meet basic requirements, and leave it to the Federation President to nominate whichever candidate s/he chooses.

56. The project to construct a State prison is experiencing significant delays. While the total cost remains at 39.6 million Euros, the structure of financing recently changed, as a 3.9 million Euros donation is no longer available due to delays in project implementation. On a more positive note, in July the European Commission approved an additional grant of 5.1 million Euros from its Instrument for Pre-Accession (IPA) 2010 funds, bringing the total EU contribution to 10.85 million Euros. This leaves a budget burden of 6.45 million Euros on the state. Due to delays, completion of construction is not expected until January 2013 with the prison due to become operational by April 2013.

57. To resolve the problem of a backlog in the enforcement of criminal sanctions the focus should be on increasing imprisonment capacities, primarily in the Federation, and on improving the use of conditional release, as well as community service instead of imprisonment for charges of less than one year. The project, actively supported by the Federation Ministry of Justice, of introducing a system of electronic supervision and house arrest for persons convicted to short-term imprisonment up to one year or subject to conditional release, is pending at present. The amendments to the Federation Criminal Code and the Federation Law on Execution of Criminal Sanctions have not yet been adopted by the Federation Parliament.

VIII. ICTY COOPERATION

58. The level of BiH's cooperation with the ICTY during the reporting period remained satisfactory and the priority remains the arrest of Ratko Mladic. However, there is growing concern that the networks that provide support to Mladic and other indicted war criminals are regaining strength.

59. It is of particular concern that during the reporting period, RS politicians have given increasing public support to people indicted or convicted by the ICTY. In July, representatives from the RS Government unveiled a statue of a person convicted by the ICTY. Also in July, the Serb Democratic Party (SDS) gave its highest party honors to Radovan Karadzic, whose trial has continued in The Hague, and to another accused war-criminal. The RS authorities have also repeatedly denied that genocide took place in Srebrenica, thus disregarding previous ICTY and ICJ judgments. Such open support for persons indicted for war crimes and convicted of war crimes has not heretofore been expressed in such a public and frequent manner. In his June report to the UN Security Council, the ICTY Chief Prosecutor expressed his concerns, strongly condemning this trend that undermines cooperation with the Tribunal and the delivery of justice, as well as “efforts aimed at reconciling and stabilizing post-conflict societies.”

60. Radovan Stankovic, who escaped from prison in Foca in May 2007, remains at large. Stankovic was convicted by the Court of BiH of crimes against humanity and was sentenced to 20 years imprisonment. No serious measures are being undertaken to apprehend him. The failure to apprehend him is even more disappointing, given that this was the first ICTY case to be transferred to the Court of BiH.

IX. REFORMING THE ECONOMY

61. Economic data available for 2010 show signs of modest improvement. The BiH Central Bank forecast 0.5 per cent growth for the BiH economy in 2010, even though it is still unable to provide reliable data for the first half of the year. This follows a contraction of the economy of 2.9 per cent in 2009.³ Exports from BiH surged in the first six months of 2010, increasing by 32 per cent (to 3.38 billion KM) in comparison with the same period a year earlier.⁴ The trade deficit fell to 2.85 billion KM for the same period, a decline of 16 per cent. The EU remains BiH’s most important trading partner, accounting for almost 50 per cent of total external trade, with 2006 Central European Free Trade Agreement members accounting for 29 per cent. The inflation level in BiH between January and July reached 2 per cent.⁵ In the same period, an increase was also recorded in industrial production, amounting to 0.2 per cent compared to the same period last year.⁶ Registered unemployment remains high: in July, it was estimated at approximately 43 per cent, or over 516,000 people.⁷ Foreign direct investments in the first half of 2010 amounted to 81.15 million KM, a 47 per cent decline compared to the same period in 2009. In July, the average net salary amounted to 799 KM, a decrease of 0.4 per cent compared to last December, while the average pension in the period January-July 2010 amounted to 333 KM, a decrease of 1.3 per cent compared to the same period last year. BiH’s external debt rose to 5.93 billion KM at the end of the second quarter of 2010 from 5.66 billion KM at the end of the first quarter.

62. The Governing Board of the Indirect Taxation Authority met three times during the reporting period (on 16 June, 26 July and 23 September), but continued to fail to agree on new indirect tax revenue allocation coefficients that -- pursuant to the

³ Source: BiH Statistics Agency

⁴ Source: BiH Ministry of Foreign Trade and Economic Relations

⁵ Source: BiH Directorate for Economic Planning

⁶ Source: BiH Directorate for Economic Planning

⁷ Source: BiH Statistics Agency

Rulebook on Methodology for the Allocation of Indirect Taxes adopted on 24 June 2008 -- should be agreed upon on a quarterly basis. Consequently, the coefficients adopted in the 2nd quarter of 2008 continue to apply. Rebalancing the collected and distributed indirect tax revenues for 2008 is still pending. There has also been no agreement within the BiH Council of Ministers on a new Director of the Indirect Taxation Authority, although the mandate of the current Director expired on 8 December 2008. On a positive note, an external audit of collected and distributed revenues for 2009 was initiated in July through the Governing Board's Decision on the Subject, Contents and Scope of Audit for 2009. A public bid invitation for the selection of an audit company is expected to follow.

63. The BiH Fiscal Council held three sessions during the reporting period (17 May, 16 June and 30 August) focusing on the realization of the International Monetary Fund's Stand-By Arrangement with BiH and the preparation of a Global Framework of Fiscal Balance and Policies in BiH for the Period 2011-2013.

64. The International Monetary Fund (IMF) mission visited BiH between 4–17 May for the second review of BiH's performance under the Stand-By Arrangement. While noting signs of economic stabilization, the mission also noted delays in implementation of structural measures by the Federation authorities. However, following sufficient progress in implementing agreed conditions, the IMF notified the BiH authorities on 20 September of the latter's completion of the prior actions agreed with the IMF mission. This allowed the IMF Executive Board to complete the second and the third review of BiH's economic performance under the Stand-By Arrangement on 15 October, thus freeing up an amount equivalent to 133 million Euros. Of this amount, the BiH authorities have drawn about 38 million Euros for Entity budget support, while the remainder intended for reserve augmentation has not been drawn yet, due to the BiH Central Bank's strong reserve position.

65. The BiH Fiscal Council has to date failed to adopt the Global Framework of Fiscal Balance and Policies in BiH, which provides a basis for the preparation of the State and Entity budgets for 2011. The major obstacle to the adoption is the refusal of the entities to support a 2011 State budget that is at the same level as this year's one. A reduction would undermine the state institutions' capacity to implement their legal obligations and meet the requirements of EU and NATO integration. These risks were identified in the BiH Minister of Finance and Treasury's letters of 21 and 27 May to the PIC Steering Board Ambassadors. The PIC Steering Board Ambassadors have called upon the BiH Fiscal Council to set the State budget for 2011 at a level that allows effective and efficient functioning of the State Institutions.

66. Since the High Representative's Decision of 18 September 2009 regarding the BiH Electricity Transmission Company (TRANSCO),⁸ the company's daily operations have been restored. However, substantial problems remain, despite the entity Prime Ministers' expressed commitments to unblock the company's work.⁹ All of the company's management and most of its Management Board remain in an acting capacity. While vacancies for the positions of General Manager and Executive

⁸ Decision Enacting the Amendments to the Law Establishing the Company for the Transmission of Electric Power in Bosnia and Herzegovina,

http://www.ohr.int/decisions/statemattersdec/default.asp?content_id=43975

⁹ The Entity Prime Ministers' Agreement on the Energy Policy Principles of 6 November 2008 and the Transco Shareholders Assembly Agreement of 3 December 2008

Directors were issued at the beginning of 2010, final appointments await a political agreement on the ethnic distribution of managerial posts. All major investments in the electricity transmission infrastructure remain blocked. There is an urgent need to adopt business and investment plans for 2008-2011 if the electricity transmission grid is to be maintained and developed. As a consequence of not upgrading it for almost three years, the electricity transmission grid is now in a poor shape and this has led to a number of power blackouts.

67. Despite the aforementioned problems, TRANSCO's profit rose nearly 30 percent in 2009 (to roughly 28 million KM). These figures confirm that TRANSCO is a profitable company that directly benefits both shareholders (the entities).

68. In October, the Federation railway company signed a contract on accession to the Cargo 10 Alliance, a common railway freight company founded by the railway companies of Slovenia, Croatia and Serbia. The Cargo 10 Alliance is expected to shorten travel time, reduce costs and increase traffic on rail lines running through the former Yugoslavia from Austria, Hungary and Italy to Bulgaria, Turkey and Greece. The consortium is also expected to harmonize prices and contribute to the region's overall development.

X. RETURN OF REFUGEES AND DISPLACED PERSONS

69. After a two-year delay (see previous reports for details), on 24 June the BiH House of Peoples adopted a revised Strategy for the Implementation of Annex 7 of the GFAP. Now the focus should be on ensuring the implementation of the Strategy and its recommendations. There are still about 113,000 persons registered as internally displaced, more than 7,000 of whom live in poor conditions in collective centers. Some of the internally displaced have lived in such conditions for over 15 years. The aim of the Strategy is to close the chapter of displacement in BiH by the end of 2014. However, judging by the many political obstacles encountered during the adoption phase, it is uncertain whether the political will exists to achieve this.

70. The United Nations High Commissioner for Refugees in BiH remains the lead international agency for displaced persons and refugees in BiH. The OHR will continue to support its efforts to ensure full implementation of Annex 7 of the GFAP.

XI. MOSTAR

71. After the long delayed appointment of a Mayor of Mostar in December 2009, the city authorities have made little progress tackling the many challenges facing the city and its citizens. Of growing concern is an increase in ethnically motivated incidents.

72. The BiH Constitutional Court is currently considering a second challenge by the HDZ BiH to a provision of the Mostar City Statute, and to provisions in the BiH Election Law and the Federation Constitution which were enacted by the High Representative and which unified the city administration in Mostar. An earlier challenge was dismissed by the Federation Constitutional Court.

73. The High Representative closed the OHR office in Mostar on 30 June 2010. OHR maintains a three-person team in Mostar, charged with monitoring developments in Mostar and the region.

XII. BRCKO DISTRICT

74. As noted in previous reports, significant progress has been made in recent years related to democratic governance in Brcko. The new Brcko District Supervisor, who arrived toward the end of the reporting period, will continue to assess the strength, sustainability, and functionality of Brcko's institutions, with the goal of terminating Supervision once it is clear that those institutions are functioning effectively and apparently permanently.

75. As underlined in the High Representative's previous reports, the failure of the State and entities to meet their obligations arising from the Brcko Final Award, made it necessary for the High Representative to enact amendments to several pieces of legislation relating to Brcko on 18 September 2009. The State, the Federation and the Brcko District authorities complied with their obligations to publish the amended legislation in their official gazettes, but the RS authorities have not yet done so. As a result, the RS has yet to recognize the District as a unit of self-governance within the country's electricity regulatory and institutional framework. This remains an obstacle to the further development and economic sustainability of Brcko District.

XIII. DEFENSE REFORM

76. Following the decision of NATO to offer BiH the Membership Action Plan at the NATO summit in April 2010, BiH's political leaders failed to make progress on addressing the relevant conditionality related to immovable defense property. As a consequence, BiH missed the possibility to start its Membership Action Plan Annual National Program in September 2010. The next opportunity to do so will be in September 2011. In the meantime, BiH has continued to implement the Individual Partnership Action Plan (IPAP).

77. On 1 September, the BiH Parliamentary Assembly endorsed the BiH Presidency decision from April to deploy a 45-man unit to the International Assistance Security Force (ISAF) in Afghanistan. The BiH unit will be a part of the Danish contingent in Regional Command South. The unit deployed to Afghanistan in mid-October.

78. Disposal of surplus weapons and ammunition belonging to the Armed Forces of Bosnia and Herzegovina (AFBiH) has continued, but only at half capacity. Since the beginning of 2010, an additional 1,500 tons of ammunition were identified by the AFBiH as "unsafe". The BiH Presidency has yet to order its destruction. Meanwhile, the AFBiH, in cooperation with the US Government, the EU and the UN Development Program, began destroying around 30,000 rifles in September, which had been donated to the then Federation Army as part of the US Train and Equip program in the second half of the 1990s.

XIV. INTELLIGENCE REFORM

79. The leadership of the BiH Intelligence and Security Agency (OSA) continued its efforts to consolidate the agency, actively assisted by the Joint BiH Parliamentary Committee for Oversight of OSA.

80. The BiH Parliamentary Assembly's Joint Committee on Oversight of the Intelligence and Security Agency strongly condemned a bomb attack on a police station in the city of Bugojno on 27 June and demanded coordinated and stringent efforts from the security sector to solve the case. On 29 June, the Committee urged the BiH Council of Ministers "to increase the competencies of authorized agencies for the fight against terrorism and organized crime by amending the relevant legislation and tightening up the sanctions for these acts of crime". OSA has subsequently sent the Council of Ministers several suggestions for amendments to both the *Law on OSA* and the *BiH Criminal Procedure Code*. These, however, have not yet been adopted.

81. In July, due to lack of support from RS delegates, the Joint Committee on Oversight of the Intelligence and Security Agency failed to pass the *Law on Amendments to the Law on Protection of Secret Data*. The European Commission had invested considerable resources to assist the BiH Ministry of Security to draft the amendments needed to ensure the protection of classified EU information "according to minimum EU standards". The amendments are also very important in light of the operational agreement that still needs to be reached between EUROPOL and BiH.

XV. EUROPEAN UNION MILITARY FORCE (EUFOR)

82. The European Union military mission in Bosnia and Herzegovina (EUFOR) continued to provide a military force of some 2,000 personnel, retaining the capacity to bring in over-the-horizon reserves. Its headquarters and peace enforcement capability continue to be based in the Sarajevo area, with liaison and observation teams present throughout the country. EUFOR's presence in the field provided crucial reassurance to citizens, who continue to believe it to be necessary. Given the difficult political environment, it remained important that EUFOR retain the capacity to deploy troops throughout Bosnia and Herzegovina at short notice. EUFOR also continued to work closely with the Bosnia and Herzegovina Armed Forces and the launch of new capacity-building and training tasks was a welcome step towards further strengthening BiH capacities. The key role EUFOR has continued to play in contributing to a safe and secure environment is widely recognized by citizens and has helped the OHR and other international organizations to fulfill their respective mandates. In so doing, EUFOR continued to serve as an important factor of stability in the country.

83. Preparations are underway to continue EUFOR's executive presence beyond 2010. The High Representative considers it important for EUFOR to retain an executive mandate for at least some months after the closure of the OHR. The European Union Special Representative has continued to offer political guidance and support to the EUFOR mission.

XVI. THE EUROPEAN UNION POLICE MISSION (EUPM)

84. The European Union Police Mission (EUPM) continued to support the development of the law-enforcement agencies of BiH in the fight against organised crime and corruption, cooperation between police and prosecutors, police and the prison structure, as well as promoting accountability within police bodies. The mission continued its work on the harmonisation of the legal framework for police officers and police bodies and supported further implementation of the police reform laws of April 2008, through its mentoring of the Directorate for Police Coordination.

All bodies and agencies foreseen by the April 2008 police reform laws are now formally established and possess the necessary conditions to begin to function. In view of the expiry of its mandate at the end of 2011, the mission will continue to focus on developing the operational and coordination role of the Directorate for Police Coordination, strengthening SIPA as the lead investigative agency, promoting cooperation among law enforcement agencies and fostering cooperation between police officials and interior ministers.

XVII. MEDIA DEVELOPMENTS

85. The reform of the public broadcasting system (PBS) continues to proceed slowly. Owing to the continuing lack of political support for the creation of a unified system, cooperation among the three public broadcasters remains poor. Many elements of the state-level public broadcasting system legislation, adopted over four years ago, have still not been put into effect. The PBS System Board has yet to adopt a statute and to register the PBS Corporation (responsible for streamlining the activities of the three broadcasters).

86. The Communications Regulatory Agency (CRA), responsible for regulating the telecommunications and electronic media sectors, remains in a difficult position as a result of the continuing failure of the current authorities to appoint either its Council or General Director. The Council of Ministers continues to allow political party interests to take precedence over the public interest in having functional institutions. As a result, the agency has had an acting general director for over three years now. The delays in appointments have already had a negative impact on the functioning of the agency, particularly as a number of decisions prepared by it have been put on hold by the Council of Ministers.

87. The reporting period has once again been characterized by numerous assaults by political parties on freedom of the media. During the pre-election period the High Representative once again had to remind political parties that it was essential that the media be allowed to report freely, accurately, and fairly from all parts of the country. Particularly alarming are efforts led by political parties to deny certain media access to information or to try to influence their editorial policies. In light of direct budgetary funding to public and private media outlets, the OSCE has had to call on government institutions to improve their transparency when engaging with the media sector.

XVIII. EUROPEAN UNION SPECIAL REPRESENTATIVE (EUSR)

88. The EU Special Representative (EUSR) mandate has been extended until 31 August 2011. The EUSR has continued to coordinate the various EU missions on the ground. In line with his mandate, the EU Special Representative has offered local political guidance to EUFOR and EUPM. Cooperation with the EU Delegation and the EU member states has also been intense.

89. The EU's Lisbon Treaty entered into force on 1 December 2009. As a consequence, the European External Action Service is being developed by the relevant EU institutions. This may affect the EU's presence on the ground in BiH in the near future.

90. The EUSR intensified his public outreach efforts ahead of the general elections, personally visiting ten larger municipalities across the country to discuss the benefits and challenges of EU integration with local citizens. The EUSR spoke directly to over 1,500 citizens and reached some 1.2 million people through the media. The EUSR also oversaw the drafting of an EU Communication Strategy and continues to facilitate its implementation.

XIX. BOSNIA AND HERZEGOVINA AND THE REGION

91. BiH has continued to benefit from improved and extremely constructive relations with its immediate neighbours, Croatia, Montenegro and Serbia, creating perhaps a better regional political environment than at any time since the signing of the Dayton Peace Agreement. High level figures of neighbouring countries, including Serbia's President Boris Tadic attended the Srebrenica commemorations on 11 July, and there have been a number of bilateral visits throughout the reporting period. BiH's neighbours have continued to underline the need to respect the country's sovereignty and territorial integrity. These visits have not only furthered regional cooperation and reconciliation, but also created an opportunity to deliver concrete progress on a wide range of issues that remain outstanding, including increased cooperation in the judicial sector.

92. Turkey has continued to be active in fostering improved relations between BiH and its neighbours, in particular with Serbia and by organizing trilateral meetings between BiH, Serbia, and Croatia.

93. The Advisory Opinion issued by the ICJ in regard to Kosovo's declaration of independence in July did not result in any security incidents in BiH. However, the opinion was repeatedly referred to by the RS authorities who claimed that the RS also has the right to self-determination. As a consequence the High Representative had to remind the RS authorities that secession is not possible according to the General Framework Agreement for Peace.

XX. FUTURE OF THE OFFICE OF THE HIGH REPRESENTATIVE

94. The Peace Implementation Council Steering Board met at the level of political directors once during the reporting period, on 29 and 30 June. It once again expressed its concern over the political situation in the country, as well as the ongoing failure to address the remaining objectives and conditions for the closure of the OHR. As a result of the BiH authorities' failure to meet these objectives and conditions the Steering Board has thus far been unable to take a decision on the closure of the OHR. The next meeting of the Steering Board of the Peace Implementation Council is scheduled to take place on 30 November - 1 December.

95. As previously announced, the High Representative reduced the OHR staff by over 20 per cent on 1 July 2010, closing the office in Mostar and significantly reducing staff in the Brcko District office.

XXI. REPORTING SCHEDULE

96. In keeping with the proposals of my predecessor to submit regular reports for onward transmission to the Security Council, as required by Security Council

resolution 1031 (1995), I herewith present my fourth regular report. Should the Secretary-General or any Security Council member require information at any other time, I would be pleased to provide an additional written update. My next regular report to the Secretary-General is scheduled for April 2011.