

Communiqué by the PIC Steering Board

Executive Summary

1) The Political Directors of the Peace Implementation Council Steering Board, meeting in Sarajevo on 23 and 24 September, endorsed the High Representative's near-term mission-implementation strategy, focusing on helping the BiH authorities to

- complete the administrative and logistical arrangements and pass the laws required to consolidate reform of the Defence, Police and Intelligence sectors;
- make the BiH State Court and the expanded BiH Council of Ministers fully operational;
- complete preparations for the introduction of VAT, and carry out the consolidation of the customs administrations;
- facilitate and guarantee the self-governing status of Brcko District.

2) The Steering Board emphasized that enacting laws, issuing decrees and making commitments are merely first steps in reform. For BiH to fulfill the 16 Feasibility Study priorities and integrate further in Euro-Atlantic structures, and if life is to become measurably better for citizens, the authorities must fully *implement* reforms.

3) In this respect the Steering Board noted with satisfaction UNHCR's announcement earlier this week that more than one million former refugees and displaced persons have returned to their homes. It should be recognized that, although this process started under the leadership of the International Community, the target of one million has been achieved under the leadership of BiH's domestic authorities, who, over the

last year, have assumed responsibility for the refugee return process. This, as much as anything else, highlights the core fact that the momentum for reform is now shifting from the IC to domestic ownership and must continue to focus on restoring dignity and prosperity to the people of this country.

4) Nevertheless, some obstructionist forces continue to undermine the prospect of conclusive political and economic recovery, especially in the context of observing BiH's legal obligations. The Steering Board warned that the RS authorities in particular must take the necessary concrete steps to detain persons indicted for war crimes and to cooperate with the ICTY. Failure to do this is now the greatest obstacle to BiH membership of PfP and further integration with Europe, both of which are otherwise at a promising stage. It also marks a failure to act on a fundamental obligation of the General Framework Agreement on Peace.

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Communique

1) The Political Directors of the Peace Implementation Council Steering Board met in Sarajevo on 23 and 24 September under the Chairmanship of the High Representative, Paddy Ashdown. The BiH authorities, led by the Chairman of the Council of Ministers, Adnan Terzic, briefed the Steering Board on steps that have been taken in the last three months to enact and implement key reforms.

BiH Authorities' Report

2) The Steering Board noted that there has been steady and marked progress since the beginning of 2004, especially with regard to the adoption of legislation connected to Partnership for Peace and the EU's Feasibility Study, for which the BiH authorities, under the leadership of Prime Minister Terzic,

should be commended. However, the legislative package now needs to be completed, especially in respect of PBS, and the emphasis should switch to *implementation*.

Cooperation with the ICTY

3) The Steering Board expressed deep dissatisfaction with the fact that BiH is still failing to cooperate fully with the ICTY – a key condition for participation in PfP and for the start of negotiations with the EU on a Stability and Association Agreement, as well as an unambiguous obligation under the GFAP and under international and domestic law. It emphasized that the RS authorities in particular must make a decisive break with their record of failure in this field, and show concrete and substantial results in the coming weeks and months. The Steering Board supported actions taken by the High Representative to hold the relevant individuals accountable.

Refugee Return

4) The recent UNHCR announcement that more than one million former refugees and displaced persons have now returned to their homes in BiH reflects and reinforces the status of the country's postwar rehabilitation. The Steering Board expressed satisfaction that responsibility for refugee return has been transferred successfully to the BiH authorities, and called upon all signatories of the Dayton Peace Agreement to ensure that the situation of the remaining 600,000 refugees and displaced persons in the region is resolved equitably with due regard to their right to return. The Steering Board welcomed in this regard the recent joint initiative of the EC, OSCE and UNHCR to engage the governments in the region to resolve outstanding displacement issues. The Steering Board noted that the BiH authorities must do much more to ensure that returns continue and are sustained. The Steering Board also noted the responsibility of the BiH authorities to ensure that restitution decisions made under the Commission for Real Property Claims in the past are fully respected and are not

overturned.

Institution Building

5) In order to give practical effect to the expansion of the Council of Ministers, the BiH authorities must do everything in their power to ensure that, by the end of this year, an adequate complement of staff is hired and appropriate premises are allocated to the State-level ministries, institutions and agencies such as the ITA, SIPA and the BiH Court. These institutions, or parts of these institutions, cannot function only on paper – they have to work in practice.

6) The Steering Board called on all levels of authority in BiH to carry out the necessary steps to ensure that all the institutions of BiH – at the State level – have the premises they need in order to be fully staffed and implement the requirements of the Stabilisation and Association Process. Failure to do this will amount to obstruction of BiH's further progress towards Euro-Atlantic integration. In addition to taking measures that will address the immediate need for premises by BiH institutions, the Steering Board called on the BiH authorities to provide a lasting solution to this issue by regulating the issue of State property.

7) Steps to consolidate the financial status of new ministries and agencies must be coordinated with the preparation of the 2005 Budget. At the same time, preparation of the Budget will require a critical and disciplined review of BiH's absurdly bloated administrative system. The Steering Board urged the authorities to address the need to eliminate redundant capacity at all levels of government.

Rule of Law Pillar

8) The Steering Board noted that since it was established by the PIC in July 2002, the Rule of Law Pillar, through the HJPC, supported by the IJC, has completed the process of vetting and reappointing all judges and prosecutors; the Court

of BiH and the State Prosecutor's Office have been established; the new Criminal Code and Criminal Procedure Code, drafted by BiH lawyers, have been enacted; and centres for training judges and prosecutors have been established. The Steering Board noted the continuing importance of building local capacity in all BiH rule of law institutions, including the police, judiciary and prosecutorial offices to ensure that these institutions are fully capable of combating organized crime and other serious offences.

9) In addition to the formal creation of a BiH Ministry of Justice, crime fighting and other institution-building initiatives have been launched under the Rule of Law Pillar. The Human Rights Commission has been set up within the Constitutional Court . However, further action is necessary to ensure that the backlog of human rights cases is cleared and appropriate procedures are put in place to deal with current and future cases.

10) The War Crimes Chamber Project was launched in early 2003 and will be fully incorporated in the BiH legal system this autumn. All work will be focused on ensuring that the Chamber is operational in January 2005. The State Prosecutor will assume responsibility for war crimes trials in the next few weeks, beginning with the analysis of cases, and a Special Department of the State Prosecutor's Office will be expanded to handle war crimes cases in addition to organized crime and corruption cases. The Steering Board urged all donors to explore avenues of deploying additional international judges and prosecutors so that the State Court and State Prosecutor's Office are able to operate at full capacity. The Steering Board noted that the investigation of these cases will require that SIPA hire and train enough skilled investigators, and that additional resources will therefore have to be found in order to pay for this expansion programme. In addition, the War Crimes Chamber will require maximum-security prison facilities for pre-trial and post-conviction detention in BiH.

Arrangements for the provision of these facilities must be made, particularly for a long-term detention centre.

11) The Steering Board was briefed on efforts underway to accelerate the full establishment of the Ministry of Security, SIPA, the SBS and Interpol, and to facilitate the work of the Police Restructuring Commission. This will require the enactment of half a dozen new laws by the BiH Parliament by the beginning of 2005. The Steering Board stressed that the Council of Ministers will also have to supervise the creation of the legal environment for a single structure of policing in BiH, and the implementation of procedures and systems that will harmonize BiH police and security procedures with those of the rest of Europe.

Srebrenica Commission

12) The Srebrenica Commission was established in December 2003 and will submit its final Report to the RS Government on 15 October 2004, to be endorsed and transmitted to the Human Rights Commission by the end of October. The Court will assess the Report, and SDHR Fassier will brief the next PIC meeting in December on the outcome of this process. The Steering Board commended the work of the Commission, which has shed new light on the events at Srebrenica.

13) The Rule of Law Pillar will be closed at the end of September 2004 following the successful achievement of its core tasks. The Steering Board thanked Senior Deputy High Representative Bernard Fassier, head of the Pillar, for his thorough and determined leadership, which has been the bedrock of the project's success.

Brcko

14) As Brcko District passes the watershed of its first democratic elections, the Steering Board called on the Entity Governments to demonstrate their commitment to the District as a constitutional and political reality, and at the same time

called on the BiH Council of Ministers to demonstrate its willingness and its ability to guarantee and support the self-governing status of the District.

Defence Reform

15) The Steering Board welcomed the continued progress in the field of defence reform. It noted with satisfaction the constructive leadership provided by Minister of Defence Nikola Radovanovic, and the seriousness with which the BiH Parliamentary Assembly's Joint Defence and Security Committee has exercised oversight. It warned, however, that the impetus behind reform should be maintained. The degree of success in implementing the Defence Reform Commission's recommendations will be of pivotal importance when NATO reviews BiH's application to join Partnership for Peace, in addition to the political criteria of cooperation with the ICTY.

16) The Steering Board recognised the need for further financial assistance for the purposes of implementing defence reforms, and indicated that it would encourage donors to increase current volumes of assistance.

Intelligence Reform

17) The Steering Board noted the progress made in Intelligence Reform, including the finalization of the Agency's by-laws, and welcomed the introduction of benchmarks to chart the reform's further development. Efforts must now focus on undertaking and completing the review-process so that middle management can be appointed on time. Efficient planning and preparation are needed in the months ahead so that the new organizational structure can be established no later than 31 December 2004 .

18) The Steering Board encourages further efforts to delineate and ensure cooperation among the various institutions in the security sector. Appropriate mechanisms must be developed to create complementary, cost-effective solutions and integrate

the different reform processes in this field. The Military Intelligence Reform concept paper adopted by the DRC provides important recommendations to this effect.

Economy

19) The Steering Board noted with approval that the necessary steps are being taken to ensure an operational Indirect Taxation Authority by the spring of 2005. Progress on the legislative and administrative preparations for the introduction of VAT has also been satisfactory, though the Steering Board reiterated that parliament must respect the fundamental responsibility of the ITA to ensure macro-economic stability. Furthermore, the Steering Board called on the BiH authorities and donors to ensure that all the necessary preparations for introducing a VAT system consistent with European standards are in place by the Prime Minister's target date of mid 2005.

20) Noting that the RS, Brcko and the BiH assemblies have all adopted the Internal Debt Settlement Laws, the Steering Board called on the Federation Parliamentary Assembly to do the same, so that BiH can move beyond this obstacle to economic recovery and secure the kind of investment and job creation that can raise living standards.

21) The Steering Board welcomed the consultative Group Meeting on BiH, co-chaired by the European Commission and the World Bank, held in Sarajevo on 22 and 23 September at the request of the BiH authorities. The meeting provided an opportunity for the BiH authorities to present the International Community with an update on reform progress and challenges, and the vision for medium-term economic development and European Integration.

Restitution

22) The Steering Board commended the CoM on its decision to form a Restitution Commission, comprised entirely of BiH

representatives. This Commission must forge a BiH solution to the restitution issue that does nothing to compromise the country's prospects for economic recovery. The International Community will provide technical assistance to the Commission.

OHR Strategy

23) The Steering Board welcomed the OHR restructuring plan and expressed its support for the High Representative's request that the OSCE, with its extensive field presence, continue to support the implementation of the Jobs and Justice Agenda.

24) The Steering Board expressed its full support for the work of the High Representative and endorsed the High Representative's intention to focus on helping the BiH authorities over the next half year consolidate Defence, Police and Intelligence reform, get the BiH State Court and the expanded BiH Council of Ministers fully operational, and complete preparations for the introduction of VAT. The Steering Board expressed its full support for the work of the Brcko Supervisor and endorsed the High Representative's and the Supervisor's intention to ensure the institutional and economic structures of the District are placed on a sound long-term footing, and thereby implement the Final Arbitral Award. The Steering Board also agreed on the need to make real progress in the implementation of the Constitutional Court's Constituent People Decisions, which remains a key foundation for the long-term multiethnic future of BiH. The Steering Board approved the OHR's 2005 budget, of 16,942,432 Euros.

25) The next meeting of the Steering Board will take place in Sarajevo on 2 December.