Statement by the High Representative, Wolfgang Petritsch, to the Permanent Council of the OSCE

I am honoured to be with you today, and I am particularly pleased to appear alongside the OSCE Head of Mission in Bosnia and Herzegovina, Ambassador Beecroft. I believe our joint presence reflects the long-standing and close co-operation between the OHR and the OSCE Mission in BiH. I would also like to take the opportunity of High Commissioner's Ruud Lubbers presentation to you today to commend the work of the UNHCR in BiH. I will later come back to the combined efforts of the IC in the field of refugee return.

Peace implementation has come a long way in the last six years, but there remains a great deal still to do – and time is running out. This is perhaps the most important point that has to be made – the need for urgency. The focus of international interest – especially following the events of 11 September – has shifted away from BiH. There is significant donor fatigue, and aid flows have already begun to decline.

By the same token, there is encouraging and broad-based evidence of concrete progress in political and economic reconstruction, and I believe that the conditions now exist for a real transformation – if the political leadership of BiH is willing to embrace reform and take the tough decisions that come with it.

Part of the changing circumstances in BiH involves the evolution of a double transition. In addition to the shift

from war to peace, BiH is increasingly engaged in the transition from a communist command-driven economy to a market economy, and indeed, in many cases, the two are closely interrelated. For example, the old payment bureaux, which we successfully abolished at the beginning of the year, were remnants of the command economy that stifled enterprise and were also being used to finance the nationalist parties that were dominant during the war. Now, a modern commercial banking system is swiftly taking root in the country.

However, overall economic progress this year has been patchy. The Entities are facing serious financial problems, particularly the RS. In addition, the State's sources of income are wholly inadequate to the task of expanding its overall responsibilities.

Politicians at State and Entity level still tend to look on the handful of profitable public utilities as cash cows to be milked for political purposes. At the same time, there has been until very recently a reluctance to begin serious work on restructuring loss-making public companies, because this would result in politically damaging job losses ahead of the 2002 elections.

The creation of a Single Economic Space across the whole of BiH, a central tenet of the Dayton process, has been stymied by procedural obstruction and an absence of political will, particularly on the part of RS representatives. I note however recent positive remarks by the RS' Prime Minister Ivanic in this regard.

Against this problematic backdrop, efforts have been made to improve State and Entity finances, professionalise the civil service, promote the work of independent regulatory agencies, and establish a modern legal framework. All of this will endow

BiH with institutions that can maintain stability and in due course take the country into Europe. Morevorer, they will play a crucial role in our global efforts to fight terrorism.

The State Border Service, established under the terms of a law which I imposed in January 2000, is now effectively addressing the wartime legacy of fragmented, porous and unprotected borders, patrolled by local police forces which were often complicit in cross border crime. The SBS employs 1248 personnel, has 12 land border units patrolling as many as 35 border crossings, and a unit at Sarajevo Airport. The service currently covers 75% of the BiH border. Full deployment is scheduled for the end of September 2002, pending budget allocations.

Two years ago, in conjunction with the domestic authorities, OHR initiated the Citizens Identity Protection System (CIPS), a package of measures which will bring BiH identity documents up to international standard. Under CIPS, which we urge the authorities to implement swiftly, BiH will have its first integrated civil registry. The system will also introduce a secure ID card, which meets International Civil Aviation Organization (ICAO) standards for use as an international travel document. The information technology supporting the CIPS project will increase the confidence of immigration authorities that BiH identity documents are well managed and secure. We hope that this will be a first step toward easing visa restrictions for BIH citizens traveling abroad.

Let me now turn to one of the IC's ongoing priorities – the return of refugees and displaced persons. The latest figures confirm an unstoppable momentum in the pace of refugee return – a central plank of the International Community's strategy for creating a self-sustaining democracy in BiH. In the first eight months of this year, UNHCR registered more than 50,000 minority returns countrywide – an increase of around 69

percent over the same period last year.

This is in large part the result of activities undertaken by the Reconstruction and Return Task Force. The RRTF is the umbrella group of agencies, including UNHCR and the OSCE, operating under the auspices of the OHR, making common and productive use of information, facilities and personnel to eliminate administrative and political obstacles to return and to facilitate the process through intervention in the field and at municipal, Entity and State level.

Work has also continued apace to create a political environment that is conducive to return. By the end of July, both Entities' Constitutional Commissions – established by me in January to implement last year's Constitutional Court ruling on the constituency of peoples – had adopted provisional reports on draft amendments to their respective Entity constitutions which will ensure that no BiH citizen living in either Entity will experience inequality because of ethnicity or religion. The autumn will likely see an animated debate over the adoption of amendments by the respective Entity parliaments.

Aside from prospective constitutional changes, I believe government efficiency can be increased within existing provisions of the DPA. In July I initiated regular meetings between legal experts from the Entities and the Council of Ministers to explore the considerable scope which exists for eliminating wasteful duplication of effort and resources in the many layers of BiH government. Eventually, this will facilitate the delimitation of government competence where a single authority can effectively carry out tasks now undertaken by the two Entity authorities.

On the political front, the passage of the Election Law by the

Parliamentary Assembly on 23 August represented a milestone in the consolidation of democracy in BiH. The decision by a majority of parliamentarians to vote in favour of this law – after years of legislative deadlock – represents what I may describe as principled pragmatism. It furnishes BiH with the means to supervise its own elections, and it represents fulfillment of the major condition for the country's accession to the Council of Europe. Hence, I welcome the favourable opinion the Political Committee of the Council of Europe has adopted on 27 September of this year with regard to BiH's application for membership of this distinguished organisation.

Working together to promote this crucial legislation, the OSCE and OHR developed an effective and seamless level of co-operation. I would like to take this opportunity to commend and thank Ambassador Beecroft and Ambassador Barry for their invaluable contribution to this process.

Administrative, political and economic measures designed to carry BiH forward to a more promising future have been accompanied by steps aimed at preventing any regression to the tragedies of the recent past. In the last six months I have taken firm steps to prevent a resurgence of nationalist extremism.

In April, I placed the Hercegovacka Bank, the biggest in Herzegovina and the second biggest in BiH, under provisional administration after I had been presented with clear indications that the bank was being used to finance – illicitly – a variety of nationalist projects, including the attempt to launch the so-called Croat Self Rule. The Provisional Administrator will shortly begin making public the results of her comprehensive investigation of the bank's affairs. A subsequent attempt by Croat extremists to foment a mutiny of Croat troops in the Federation army petered out, and at a conference of the HDZ held just two weeks ago, the former

member of the BiH Presidency, Ante Jelavic acknowledged that the Self Rule adventure had failed.

While standing firm against nationalist extremism, my office has reached out to moderate Croat leaders in order to address the legitimate concerns of the Croat people of Bosnia and Herzegovina.

In May, Serb extremists and local thugs attacked local and international participants at the ground-breaking ceremonies for the reconstruction of historic mosques in Trebinje and in Banja Luka, which had been demolished under the wartime RS regime. One of the participants at the Banja Luka ceremony subsequently died of his injuries. The Republika Srpska authorities conspicuously failed to maintain public security during these well-orchestrated outbreaks of nationalist violence. I asked the RS authorities to dismiss immediately several high police officials, who had failed in their professional obligations. I also summoned the RS leadership to Sarajevo, where I made it clear to them that if they did not make arrangements for the ceremony to proceed, with complete security and appropriate dignity, and if significant changes were not made in RS social and political structures, there would be serious consequences for the future of this Entity. I laid out the steps that must be taken in order to change this regressive mindset, prevalent in the RS, and the steps that must be taken to find and punish the culprits in the May violence and ensure that such violence is never repeated.

Finally, on 18 June, the cornerstone was laid at the Banja Luka mosque site, with RS President Sarovic and Prime Minister Ivanic in attendance.

I have also been obliged to remind, in the most forceful terms, the leadership of the RS, the Serb members of the BiH Parliamentary Assembly and most recently the members of the RS

National Assembly that they do a disservice to their own citizens by obstructing sensible initiatives aimed at coordinating the work of government agencies in the two Entities and by stubbornly refusing to cooperate in the passage of much-needed legislation in the PA.

Although local authorities have always been legally obliged under the Dayton-Paris Agreement to co-operate with the Hague I regard the adoption by the RS National Assembly of the Law on Co-operation with ICTY two weeks ago as a positive political signal. However, only results count in this realm. The fact that Radovan Karadzic and Ratko Mladic are still at large remains a great impediment to our civilian peace implementation efforts.

Happily, I am able to report two promising developments regarding the stance Republika Srpska is taking on defense issues. At the end of July, I communicated to the RS and Federal Republic of Yugoslavia authorities that the Defence Annex to the Special Parallel Relations Agreement that they had just signed, had no legal effect, as they had failed to consult my Office, as required by the Agreement. Delegations from the RS, FRY and my Office met last month and agreed on the way forward to the conclusion of a future Defence Annex.

In July, the BiH Presidency formally applied for BiH membership in NATO’s Partnership for Peace programme. This will require a joint military structure that closely coordinates the operations of the Federation and the RS armed forces. This in turn represents a viable long-term defense strategy for BiH. It is particularly encouraging that the initiative for this has come from the tripartite presidency.

As the passage of the Election Law highlights, the governments which have come to power in both Entities and at State level

in the course of this year are, broadly speaking, beginning to show a new willingness to implement reform. They have to do much more and they have to translate promises into deeds, but I believe the foot-dragging and obstruction which for years sabotaged every effort to clean up corruption and get the economy moving have at last been consigned to the past.

The new authorities are embracing the ownership concept I articulated when I arrived in BiH more than two years ago. In response to this, I have initiated a Consultative Partnership Forum to improve the dialogue between the International Community and the BiH political leadership, and a Civic Forum, which will serve to include artists, writers, educators and religious leaders in the policy discourse.

Allow me now to say a few words about streamlining. Ambassador Donald Hays, my Principal Deputy, whom I have tasked with directing the streamlining process, made a detailed presentation on this process to you yesterday.

On 19 March, the EU General Affairs Council asked me to "review current international civilian implementation structures in BiH" and recommend ways of optimising their effectiveness and their co-ordination. On 11 April, I was asked by the Contact Group at ministerial level to "submit proposals aimed at improving the co-ordination and efficiency" of the IC in BiH. These requests were reaffirmed by the PIC Steering Board.

OHR will present an IC Action Plan to the Steering Board at Political Directors level on 7 December. This Action Plan will outline the parameters within which the International Community's engagement in BiH can be made more efficient and effective. It will also present options for a follow-up police monitoring mission.

I would like to assure you that the OSCE, both the BiH Mission and the Chairman in Office, have been fully engaged in every phase of the discussions on streamlining, and any proposed changes to the OSCE Mission to BiH will of course be subject to the approval of the Permanent Council. I personally attach great importance to the continuation of the traditionally fruitful co-operation between my office and the OSCE in BiH as well as here in Vienna.

Thank you.