

Communique of the PIC Steering Board,

Brussels, 7 April 2005

Executive Summary

The Political Directors of the Peace Implementation Council Steering Board met in Brussels on 7 April. This was the last meeting of the Political Directors and the BiH authorities before NATO is likely to review once again BiH's progress towards Partnership for Peace (PfP), and before the European Commission hopes to be able to recommend whether negotiations on a Stabilisation and Association Agreement can begin. Both are crucial for BiH's future.

The Steering Board commended the BiH authorities, led by the Council of Ministers, on the progress they have achieved so far in meeting the requirements of the European Commission's Feasibility Study. BiH is standing at the gates of the European integration process. However, the Steering Board highlighted the urgency of making significant progress on all the priorities listed in the EC Feasibility Study. In particular, it stressed that unless the BiH authorities agree a model of police reform in compliance with the three criteria endorsed by the European Commission there can be no green light for a decisive move forward in the

Stabilization and Association process. It underlined that any model must break the connection between politics and policing and be organised on the basis of operational effectiveness. But the Steering Board also made clear that such a model would in no way threaten the existence of the Entities, which is guaranteed by the Dayton - Paris accords. The Steering Board welcomed the expression of readiness by the BiH delegation to engage actively in negotiations to achieve a model of police reform that will meet the three principles endorsed by the European Commission.

The Steering Board commended the BiH authorities, and the authorities of Republika Srpska in particular, on the recent transfers of ICTY indictees to The Hague. This has finally broken the cycle of persistent non-co-operation with the ICTY. But the Steering Board reiterated that this progress must be sustained, leading to full co-operation with the ICTY, including Karadzic and Mladic facing justice in The Hague without delay. As the tenth anniversary of Srebrenica approaches, that requirement becomes more, not less, urgent. The road to the EU and NATO, on which the future of BiH depends, runs through The Hague.

The BiH delegation undertook to accelerate the pace of reform, in particular to sustain and continue to build on the progress that has been made towards demonstrating full co-operation with the International Criminal Tribunal for Former Yugoslavia.

The Steering Board emphasised that the wider reform agenda, including strengthening the State Institutions, building a European-standard Public Broadcasting Service and addressing BiH's fiscal sustainability, is an essential precondition for BiH to join Euro-Atlantic structures and – equally important – is required if jobs are to be created and day-to-day living standards in BiH are to improve.

The Steering Board also expressed its full support for the work of the Defence Reform Commission, including its proposals to accelerate the professionalisation of the armed forces. It called especially upon the RS authorities to participate fully in the DRC process. It underlined that defence reform must be carried out on schedule and that there is no scope for slippage in this area if BiH is to fulfill its hope of being admitted to Partnership for Peace (PfP). The Steering Board reiterates that the abolition of the Entity Ministries of Defence by the end of 2005 is a requirement, laid out in the High Representative's Decision of 16 December, in order to address the systemic weaknesses in BiH's security structures identified by NATO, the Chief Prosecutor of the ICTY, and the PIC in its communiqué of December 2004.

Communique text

The Political Directors of the Peace Implementation Council (PIC) Steering Board met in Brussels on 7 April under the Chairmanship of the High Representative, Paddy Ashdown.

Chairman of the BiH Council of Ministers Adnan Terzic, Defence Minister Nikola Radovanovic, Deputy Foreign Minister Lidija Topic, RS President Dragan Cavic, and RS Interior Minister Darko Matijasevic, also participated, briefing the Political Directors on progress made on key reforms essential for integration in European and Euro-Atlantic structures.

ICTY Cooperation

The Steering Board welcomed the transfer by the RS authorities of seven ICTY indictees since the PIC last met as a sign that the systematic obstruction by Republika Srpska of cooperation with the Tribunal is finally being abandoned. While congratulating those involved, the PIC underlined the fact that this recent progress must now be sustained and built upon. There is no scope for any slackening of effort by the RS authorities and the Steering Board will remain vigilant on this issue. What

has occurred in recent weeks is the start of a process that must be completed if BiH is to move decisively along the road to Euro-Atlantic integration. The Steering Board therefore calls on the authorities – especially the RS authorities – energetically to continue this process until all remaining indictees, including Ratko Mladic and Radovan Karadzic, are transferred to The Hague. The process will not be complete until all the indictees are in custody.

The Steering Board also noted the progress that has been made by the ICTY Monitoring Group, jointly chaired by Prime Minister Terzic and the High Representative. Serious steps still need to be taken to implement the asset freeze of indictees and their support networks, adopted by the EU in October 2004 and to which BiH aligned itself. The Steering Board will review this point, and the work of the Monitoring Group in general, at its next meeting in June.

Police Restructuring

The Steering Board reiterated that the three principles set out in Commissioner Rehn's letter of 21 February must be met if reform of the police is to be successful and if BiH is to have an effective single

structure of police in line with European best practice. Those three principles are:

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

The Steering Board called on the BiH parties to reach political agreement on the future of policing in line with the principles endorsed by the European Commission. This should be done in the coming weeks, in time for the Consultative Task Force meeting with the European Commission towards the end of May and ahead of a delete likely Commission assessment for the Council regarding the possible launch of negotiations on a Stabilisation and Association Agreement. The Steering Board emphasised that police restructuring is about giving the people of BiH efficient and effective crime fighting police. It is not a surreptitious attempt to abolish the Entities. The existence of the Entities is guaranteed under Dayton and is not in question.

Defence Reform

The decision to step up the pace of Defence Reform was taken in light of calls from the ICTY, NATO, the PIC Steering Board, and the International Community as a whole to address systemic weaknesses in security structures, and after it had become clear that the continuing role of the Entity MoDs was undermining BiH's efforts to achieve effective State-level command and control as required under the country's constitution.

The Steering Board was briefed on the current status of the reform programme, by Prime Minister Terzic, Defence Minister Radovanovic and Co-Chairman of the Defence Reform Commission, Dr Gregorian. The Steering Board welcomed the recent appointments of BiH defence personnel, which completes a critical benchmark for PfP. The Steering Board expressed its full support for the work of the Defence Reform Commission (DRC) and called on the authorities in BiH at every level to maintain the pace of reform so that the goals set by the DRC can be met on schedule by the end of 2005, especially the legislative deadline of 1 July.

The Steering Board welcomed the 23 February statement by the BiH Presidency reaffirming BiH's intention to join NATO as mentioned in Article 80 of the BiH law on Defence. The Steering Board expressed its full support for the draft DRC proposals on how to transfer the functions of the Entity Ministries of Defence to the BiH level, as well as its draft proposals to professionalise the armed forces. The Steering Board called upon the SDS-led RS government to participate fully in the process, and noted with concern the 18 March conclusion of the RSNA, which calls into question the RS government's commitment with respect to defence reform. In that regard the Steeringboard welcomed President Cavic's clarification that the RS Authorities support NATO membership for BiH and will fully participate in the work of the DRC.

Economic issues

The Steering Board was briefed by Principal Deputy High Representative Larry Butler on the severe fiscal challenge confronting BiH, over the next year, due to its large current account deficit, its overly expensive government structure, the high cost of new state-level institutions, and large outstanding war and property claims that have not yet been fully resolved.

The Steering Board expressed its support for the Fiscal Sustainability Working Group established by the three Finance Ministers in February to identify costly duplications in the work carried out by the various tiers of government and suggest ways in which services can be improved while reducing the overall cost of governance. The Steering Board sees the Working Group as the key structure bringing together the domestic and international authorities in a forum that enables this problem to be analysed and resolved, and calls on all relevant international bodies, especially the International Financial Institutions, to work within this body in order to meet the challenge of resolving this serious problem

The Steering Board welcomed progress that has been made in economic restructuring, noting that the Indirect Taxation Authority is now allocating revenues of almost 1 million KM per day to the budget of BiH institutions. This preliminary figure is between five and six percent higher than the figure for similar indirect revenues one year ago.

State Institutions

Senior Deputy High Representative Werner Wnendt briefed the Steering Board on the progress of the State Government Strengthening Plan, which aims to develop the State's institutional capacity required for

moving ahead in the EU Stabilisation and Association process. The PIC welcomed progress with regard to civil service legislation and staffing of the Council of Ministers, but noted that the BiH authorities still need to further increase the number of qualified staff in the CoM. Furthermore, the establishment of the BiH Commission for State Property has been delayed due to the failure by the RS to appoint all its representatives to the Commission. The Steering Board called on the RS authorities to rectify this situation immediately.

Public Broadcasting

The Steering Board expressed concern that the passage of the BiH Public Broadcasting System Law has been compromised, largely due to amendments labelled by the HDZ. Delay in enacting this law, one of the 16 Feasibility Study requirements, will have an adverse impact on BiH's chances of launching Stabilisation and Association negotiations and on planned EC assistance for the public broadcasting service in BiH and will undermine the current reorganisation of the system. The Steering Board reiterated that Dayton makes it clear that BiH cannot have mono-linguistic PBS channels, which would only cement ethnic division and subject the public TV service to damaging political influence. It called on the BiH parties to respect Dayton and the Feasibility Study requirements

and enact a law that respects the multi-cultural, professional and politically independent character of the public broadcasting system without delay.

Mostar

The Steering Board noted with satisfaction the progress that has been made in implementing the Mostar Statute. In light of developments, the Steering Board welcomed the High Representative's decision to extend the operational timeframe of the Mostar Implementation Unit until the end of September. The implementation process is beginning to deliver tangible benefits to citizens, in terms of improved quality of life and a more promising economic environment. However, recent political problems have delayed passage of the city's 2005 budget, which could jeopardise some of the gains for citizens that have already been made.

The Steering Board accordingly called upon all the Mostar stakeholders to resolve this issue and pass the budget without further delay. The Steering Board also believes that the time has come to enact the legal requirements to move five Federation ministries from Sarajevo to Mostar.

The Steering Board expressed its thanks to Ambassador Wnendt for the contribution he has made to BiH in his almost two years as Senior Deputy

High Representative, especially in the fields of public administration reform, education, PBS reform, the development of local self-governance and civil society, and the reunification of Mostar.

The next meeting of the Steering Board Political Directors will be in Sarajevo on 23/24 June.