

63rd Report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina to the Secretary-General of the United Nations

Summary

This report covers the period from 16 October 2022 through 15 April 2023.

1. The reporting period was dominated by post-election government formation and disruptive rhetoric and action by the ruling coalition in Republika Srpska (RS). The establishment of most executive, legislative, and judicial authorities of the State, Federation, RS, and cantons after the General Elections of 2 October 2022 concluded with unprecedented speed.

2. However, the President and the two Vice-Presidents of the Federation have not yet agreed on forming a new government. I encouraged all political parties to reach a compromise. I emphasized that a long-standing political deadlock in the Federation is detrimental to Bosnia and Herzegovina (BiH) and its path to EU integration. The continuation of the current caretaker government would lack democratic legitimacy.

3. On 23 March 2023, BiH Constitutional Court decided that my decisions of 2 October 2022, which amended the Constitution of the Federation and the Election Law, are in full accordance with the BiH Constitution and relevant international human rights covenants.

4. The secessionist rhetoric and action by the RS authorities, namely Mr. Milorad Dodik, has intensified in the reporting period. It poisons the political climate in the entity and the entire country. RS authorities categorically reject the authority of the Constitutional Court of Bosnia and Herzegovina, the OHR and they pursue a confrontationist attitude towards Western partners. On 24 April, the RS ruling parties signed a joint statement with concrete steps toward secession. This is a dangerous development. The re-direction, suspension or conditioning of funding are tools which international partners have at hand to respond to this development and which must remain on the table.

5. RS authorities continued to undermine BiH state institutions by obstructing their work and decision-making and claiming constitutional and legal competencies for RS, which belong to the State. On 27 February 2022, I suspended a new law on immovable property adopted by the RS National Assembly, which was based on a misinterpretation of the constitutional structure and violated past judiciary rulings.

6. I note a clear tendency toward authoritarianism in Republika Srpska, characterized by legislative initiatives which further shrink the space for civil society and media. Bosnia and Herzegovina risks becoming a country divided between authoritarianism in one entity and democracy in the other.

7. I amended the law on the Srebrenica-Potočari Memorial Center on 20 February 2023 to broaden and intensify its engagement for memorialization and truth-telling for future generations. Denial of genocide by RS leaders continues to pose a serious problem.

8. Smooth budget adoption at all levels is a positive step for Bosnia and Herzegovina's fiscal sustainability. Apart from that and some positive developments in the Brčko District, little progress has been made in implementing the 5+2 Agenda. Bosnia and Herzegovina still faces considerable challenges concerning state and defense property, the rule of law, and fiscal sustainability. I am committed to intensifying OHR's work in these areas.

I. Introduction

9. This is my fourth regular report submitted to the United Nations Security Council since assuming the post of High Representative for Bosnia and Herzegovina in 2021. My report represents an impartial assessment of the implementation of the civilian aspects of the General Framework Agreement for Peace (GFAP) with information on developments and progress toward achieving previously established goals.

10. I am fulfilling my mandate pursuant to Annex 10 of the General Framework Agreement for Peace and in

accordance with relevant decisions of the United Nations Security Council. Progress on the five objectives and two conditions (5+2 Agenda), set in 2008 as the agenda for Bosnia and Herzegovina to transition from international oversight, remains the obligation of the Bosnia and Herzegovina authorities to fulfill. However, as my report indicates, concerning developments in Republika Srpska, the outstanding formation of the Federation government, and profound divisions in the society of Bosnia and Herzegovina challenge fundamental elements of the General Framework Agreement for Peace and create barriers to completing the 5+2 Agenda.

11. I reiterate that the parties must fully comply with the General Framework Agreement for Peace and overcome blockages on all government levels so Bosnia and Herzegovina can take the obligatory political and legal steps to advance toward European Union integration.

12. This became even more important after Bosnia and Herzegovina was granted EU Candidate Status on 15 December 2022. It is crucial to keep this positive momentum. Bosnia and Herzegovina's clear commitment to the European Union path is especially relevant when international law is being trampled, and the sovereignty and territorial integrity of independent states in Europe are being violated. I am committed to working with the authorities, institutions, and citizens of Bosnia and Herzegovina to set the country on the irreversible path of progress that would turn the EU perspective into a reality.

13. Full-scale constitutional reform, as well as electoral reform, is still needed in Bosnia and Herzegovina. The ECHR decisions in the Sejdić-Finci group of cases must be fully implemented. Reports on electoral fraud in October 2022 reaffirmed the need for further electoral reforms to ensure the integrity and transparency of elections, including through electronic means. It is imperative to restore citizens' faith in free and fair elections. Therefore, I encourage political parties in Bosnia and Herzegovina to address the question of electoral reforms.

14. The international community in Bosnia and Herzegovina remains committed to easing tensions and advocating dialogue and compromise.

II. Political Update

A. General Political Environment / Challenges to the General Framework Agreement for Peace

15. The post-election government formation process and destabilizing developments in Republika Srpska dominated the reporting period.

16. The October elections were followed by a speedy formation of new authorities at different levels. At the State level, the Presidency was inaugurated on time, and the Council of Ministers was formed with unprecedented speed. Deadlines and procedures I enacted with my decision on 2 October 2022 (the so-called functionality package) have been largely respected and implemented. Presidents, Vice Presidents of the Federation, and Republika Srpska are elected and in office. Both chambers of the State, Federation, and Republika Srpska parliaments are also operational. The Constitutional Court of the Federation is now fully functional again. All Cantonal assemblies initiated their formation in the course of November 2022, following the confirmation of the election results, and all but one, Herzegovina-Neretva, finalized the process. Seven of ten cantonal Governments are in place. The State, the Federation (and all the Cantons), and Republika Srpska adopted their budgets in accordance with the legal deadlines.

17. After the 2018 General Elections, political leaders failed to agree on a new government in the Federation of Bosnia and Herzegovina, and the 2014-2018 Federation Government remains under a technical mandate.

18. This stalemate, unfortunately, continues after the October 2022 elections. Although the functionality package enabled the election of the President and Vice Presidents of the Federation, they have not yet agreed on a Prime Minister and Government. Their disagreement reflects a political culture in which reaching consensus and the democratic maturity to accept the opposition role is eschewed by some parties. The stalemate in the Federation constitutes a setback against the progress of Bosnia and Herzegovina toward implementing critical reforms for EU integration.

19. The political environment remains generally fragmented and mainly divided along ethnic lines.

20. In Republika Srpska, political leaders often use nationalistic and divisive rhetoric. The ruling coalition portrays its critics and opponents as traitors and foreign agents, using the public broadcaster to promote its agenda. This

tendency has intensified with recent legal and political initiatives promoted by the ruling coalition under Milorad Dodik, which will further shrink the space for civil society and independent media.

21. Republika Srpska President Milorad Dodik continues questioning fundamental provisions of the General Framework Agreement for Peace and pursues a secessionist policy. In his 6 March 2023 letter to the Prime Minister of Republika Srpska, Radovan Višković, President Dodik promotes an erroneous and misleading interpretation of the General Framework Agreement for Peace and the constitutional framework of Bosnia and Herzegovina. In this letter, Mr. Dodik asserts that the General Framework Agreement for Peace did not determine the internal continuity of the “Republic of Bosnia and Herzegovina” by any direct or indirect provision. This proposition disregards, among others, explicit provisions of the BiH Constitution, including the principle of continuity between the Republic of Bosnia and Herzegovina and BiH as contained in Article I.1. of the Constitution, which was reaffirmed on many occasions by the BiH Constitutional Court. Republika Srpska authorities are still subverting the State institutions of Bosnia and Herzegovina. They often block decisions on appointments and claim constitutional and legal competencies of the State for the Republika Srpska entity.

22. Milorad Dodik’s secessionist rhetoric has intensified during the reporting period. For instance, on 24 March 2023, he said, “I see the future in the unification of Serbia and Republika Srpska...the moment you attempt to seize property, we will pass a decision on the independence of Republika Srpska.” On 2 February: “I am not ready to go to war, but I am ready for Republika Srpska to come closer to the status of an independent state.” On 9 January, “...Serbs must never allow any form of organization other than the Serb national state, which is the RS and Serbia, with which we have the right to be integrated in accordance with international law.”

23. I urge the Security Council to take these threats seriously. Mr. Dodik’s rhetoric questions Bosnia and Herzegovina’s territorial integrity and sovereignty, posing a threat to peace and stability in the country and potentially to the wider region. Mr. Dodik has also shown sympathy with Russia’s role in the war in Ukraine.

24. Inter-ethnic divisive rhetoric and hate speech frequently occur in various parts of the country. An unfortunate example is the assault on parents of children participating in a sports event in Ilidža, who were visiting from Belgrade, on 14 January 2022.

25. Divisive and sometimes aggressive rhetoric by some religious leaders also increased tensions. For instance, on 1 March 2023, Serb Orthodox Metropolitan Hrizostom (Rajko Jević) referred to Bosniaks as ‘Muslims’ and later Muslims as ‘Mohammedans.’ Another example of such rhetoric is the 4 March statement by Reis-ul-ulema of the Islamic Community in Bosnia and Herzegovina, Husein ef. Kavazović “We must show in every possible way that we are ready to defend the institutions of the state of Bosnia and Herzegovina. When they fall, as they fell in 1992, we must be ready to protect this country with weapons as well, and, if I may say so, no one should have any dilemmas about whether we should do that or not....”

26. There were some examples of malicious damage to religious buildings, like the ones to the Orthodox Cathedral in Mostar (7 December 2022), to the Dašnica Mosque in Bijeljina (13 January 2023) and to the Orthodox temple in Stolac (26 March 2023).

27. Attacks on returnees also cause concern. On 23 March, two elderly Bosniak returnees were physically assaulted and robbed near Višegrad in Republika Srpska. A police investigation is ongoing.

28. Since the imposition of the amendments to the Criminal Code of Bosnia and Herzegovina by the previous High Representative Valentin Inzko, outlawing denial of genocide and war crimes, the instances of Srebrenica genocide denial initially decreased. However, there has been a lack of judicial follow-up on the reported cases. The Srebrenica-Potočari Memorial Center and key victims’ associations noted the lack of investigations and court processing, which may have contributed to the recent new instances of genocide denial, including that by the Republika Srpska President Milorad Dodik. Efficient judicial responses to these cases remain challenging.

29. Secessionism, political deadlocks, widespread corruption, and the weak rule of law remain crucial challenges for the comprehensive implementation of the civilian aspects of the General Framework Agreement for Peace, the completion of the 5+2 Agenda, and the advancement of Bosnia and Herzegovina on its path toward European Union integration. Maintaining international attention on the situation in Bosnia and Herzegovina remains essential.

30. In the 2022 General Elections in Bosnia and Herzegovina, out of 7,258 candidates registered for the elections, 42% were women. Although the legislative quota has been met in the election lists, the percentage of women who

are members of parliaments drastically decreased. In the BiH Parliament, only 18% of MPs are women; in the RS National Assembly, 17% and in the FBiH Parliament, 23%.

31. There are many causes for very low women's political participation. According to the Westminster Foundation for Democracy Analyses from 2019, 60,2% of women candidates have experienced some form of violence against women in politics. The same study notes that 74,7% reported that social network users were the most common perpetrators of verbal violence against women in politics.

32. Borjana Krišto, Chairwoman of the BiH Council of Ministers, and Dubravka Bosnjak, Minister of Civil Affairs, are the only two women in the BiH Council of Ministers. In Republika Srpska, 4 out of 16 Government members are women.

33. I continue to see challenges in women's representation at the local level in Bosnia and Herzegovina even after the 2020 Local Elections. Notably, out of 144 mayors, only 5 are women.

34. According to the latest UN Women reports, annual budget allocations to gender equality are still very low – 1,45% at the level of BiH institutions, 5,79% in the Federation of BiH, and 6,39% in Republika Srpska.

B. Decisions of the High Representative During the Reporting Period

Decision on the new Immovable Property Law of Republika Srpska

35. On 28 December 2022, the National Assembly of Republika Srpska adopted a new Law on Immovable Property Used for the Functioning of Public Authority. This Law is almost identical to the previous Republika Srpska Law on Immovable Property, which was declared unconstitutional and repealed by the decision of the Constitutional Court of Bosnia and Herzegovina on 22 September last year.

36. The new Law establishes ownership rights of subjects of public authority in Republika Srpska over registered property, including assets recognized by the Constitutional Court of Bosnia and Herzegovina as belonging to the State. As the Law implies and was articulated during a debate in the Republika Srpska National Assembly, it aims at legalizing various re-registrations of state / public property assets in the name and under the ownership of public authorities in Republika Srpska.

37. As established in several Constitutional Court of Bosnia and Herzegovina decisions, Republika Srpska does not have the constitutional competence to regulate state property assets because that jurisdiction belongs to the State of Bosnia and Herzegovina following the BiH Constitution. Therefore, the new Law on Immovable Property of Republika Srpska disregards several final and binding decisions of the Constitutional Court of BiH and violates the State Property Disposal Ban. It is an unconstitutional, unilateral act creating harmful legal effects and precluding the achievement of the State Property Objective of the 5+2 Agenda.

38. Therefore, on 27 February this year, I issued a Notice on the Application of my Order of 12 April 2022 to the new RS Law on Immovable Property Used for the Functioning of Public Authority. Pursuant to this Notice, my Order of 2022, which originally referred to the previous RS Law on Immovable Property, now applied to and suspended the new RS Law on Immovable Property. I again invited the Constitutional Court of BiH to act as swiftly as possible and consider the possibility of issuing an interim measure. This unconstitutional law was about to produce instant legal effects concerning the "legalization" of registrations of State and public property assets conducted so far in Republika Srpska, thus giving the entity legal cover and providing ratification for previous illegal registrations. This might have been followed by further transfers of these assets by Republika Srpska, creating more legal uncertainty and chaos.

39. Considering several requests to the Constitutional Court of Bosnia and Herzegovina were announced for a review of constitutionality, it was necessary to ensure the application of the new Law on Immovable Property of Republika Srpska would be prevented immediately upon its entry into force. When the Constitutional Court of the State could not react expeditiously enough, I issued the Notice. I suspended the application of the Law on Immovable Property of Republika Srpska until the Constitutional Court of the State rendered a final decision on the constitutionality or interim measures regarding the Law.

40. Following my Decision, on 2 March 2023, the Constitutional Court of Bosnia and Herzegovina temporarily prohibited the application of the said Law until a final decision was made on the merits. In this case, the

Constitutional Court acted upon requests for an interim measure filed by several applicants (Members of the Presidency of Bosnia and Herzegovina, Mr. Denis Bećirović and Mr. Željko Komšić, 11 delegates of the House of Representatives of Bosnia and Herzegovina and five representatives of the House of Peoples) for a review of the constitutionality of the new Law on Immovable Property of Republika Srpska. The adopted decision grants the applicants' requests for an interim measure, by which the Law on Immovable Property of Republika Srpska was temporarily put out of legal force, i.e., rendered ineffective, pending a final decision of the Constitutional Court with regards to the submitted requests.

41. The Constitutional Court adopted an interim measure to prevent potential adverse consequences that could arise because of its application. Without prejudicing the final decision on the request, it considered adopting the interim measure was necessary for legal certainty, bearing in mind that the measure only temporarily suspends the application of the disputed Law. The Constitutional Court will decide on the requests for a review of constitutionality at a future plenary session.

Decision on Srebrenica-Potočari Memorial Center

42. On 20 February 2023, I amended the Law on the Center for the Srebrenica-Potočari Memorial and Cemetery for the Victims of the 1995 Genocide, thereby adjusting a previous High Representative's decision to facilitate the Memorial Center's work. With donors' consent, the adjustment allowed unspent funds originally assigned for burials to be used for other purposes. If they obtain donor support, this technical amendment enables the Memorial Center to reallocate the remaining funds to other purposes, such as construction and maintenance, and cooperation with other commemoration centers, foundations, and associations worldwide.

43. The Srebrenica-Potočari Memorial Center is an important monument for Bosnia and Herzegovina's truth and reconciliation efforts. It has a central role in the commemoration of the victims and in promoting an understanding of the scale and consequences of the Srebrenica genocide of July 1995, especially among the younger generation. This unique Memorial Center needs continuous care and attention from domestic and international actors.

44. The Memorial Center and victims' associations welcomed the decision, while political representatives from Republika Srpska expectedly criticized it. Srebrenica Victims' Associations continue calling for marking sites of war atrocities. Their initiatives have drawn attention to the problems regarding memorialization generally, which will require a tactful and systematic approach to address the inadequacies of the current legislation and the need to recognize the importance of acknowledging the suffering of the victims wherever it occurred.

C. Five Objectives and Two Conditions for the Closure of the Office of the High Representative

Progress on the Objectives

45. Apart from rapid budget adoptions on various levels, which contribute to the fiscal sustainability and functionality of the country, and the positive developments in Brčko District, little progress has been made in implementing the 5+2 Agenda. Bosnia and Herzegovina still faces considerable challenges regarding state and defense property, the rule of law, and various aspects of fiscal sustainability. The Office of the High Representative continues to work toward constructive solutions in close cooperation with national and international partners.

State and Defense Property

46. During the reporting period, the Government of Republika Srpska has been adopting decisions related to transfers and disposal of State Property in violation of the State Property Disposal Ban. These decisions refer to non-prospective defense property, agricultural land, etc. In addition, an analysis of several individual property cases by my Office confirms the systemic, large-scale re-registration of various categories of State and public property as property owned by Republika Srpska. Similar decisions allocating and disposing of State Property have also been identified in several municipalities in the Federation of Bosnia and Herzegovina.

47. On 27 February this year, after the adoption of a new Law on Immovable Property Used for the Functioning of Public Authority by Republika Srpska, I enacted a Notice on the Application of my Order of 12 April 2022 to the new law, as described in paragraphs 35-41 of this report.

48. Following the adoption of the decision by the Constitutional Court of BiH on the interim measure, the application of the High Representative's Order of 12 April 2022 to suspend the new Law of Republika Srpska

ceased, in accordance with Article 1 of the HR's Notice of 27 February 2023. However, Article 2 of the High Representative's Notice of 27 February 2023 continues to be in force. It provides, "The High Representative reserves the right to further extend the application of the Order of 12 April 2022 to suspend any future legislation or other legal act that unilaterally regulates State Property assets in a manner that the High Representative considers as precluding an acceptable and sustainable resolution of the issue of State Property."

49. I intend to intensify my engagement on State Property in 2023 and initiate expert consultations to prepare the necessary legislation to resolve the state property issue. Even the prospect of such an initiative has been met with harsh reactions from political parties in Republika Srpska, particularly the Alliance of Independent Social Democrats (SNSD) and its coalition partners. Their statements claim that "the issue of the property was resolved in the Dayton Peace Agreement" and "Republika Srpska property is untouchable." One statement read, "Do not force our hand – if you insist on taking our property, we will take it outside Bosnia and Herzegovina...." On 16 March 2023, at a press conference, Dodik stated, "They won't get the property. If the High Representative would make some property law at the level of Bosnia and Herzegovina, he would immediately seal the decision on the secession of Republika Srpska. A session of the Republika Srpska National Assembly would take place that very instant, and I would propose a decision to leave Bosnia and Herzegovina."

Completion of the Brčko Final Award

50. In this reporting period, the Brčko District Institutions' focus remained on reforms promoting fiscal discipline and transparency in spending public resources, infrastructure development, and economic growth. Brčko District also aimed to strengthen the accountability of public companies, anti-corruption measures, and launch public administration reform.

51. In the Brčko District Assembly, a new bloc of political parties representing the Bosniak people was formed, resembling the new political coalition at the Federation level. After two weeks of negotiations, a new ruling coalition emerged, which included The Union for a Better Future of BiH (SBB) and the People and Justice Party (NiP) and pushed the Party of Democratic Action (SDA) into opposition. SDA, which has the largest number of seats in the Assembly, nominated the mayor following the 2020 Local Elections. The District Assembly dismissed the mayor and elected the new mayor from the Party for Bosnia and Herzegovina (SBiH), consistent with the newly formed coalition.

52. The Brčko District Supervisor and OHR continued to promote sustainable reforms and advance Brčko District toward completing the Final Award.

53. The Brčko District authorities focused on the practical implementation of the reform legislation adopted in the previous period, including the timely preparation and adoption of the District Budget for 2023. Authorities continued to improve fiscal discipline, transparency, and responsibility in spending, including allocating a certain percentage of the annual budget for capital projects, infrastructure development, and public services advancement.

54. At the request of Brčko District, the Supervisor issued a letter with legal effect, which was the first such letter in thirteen years. It resolved discrepancies in applying entity legislation related to insurance companies in the District.

55. To enhance quality public services and strengthen anti-corruption measures, the Anti-Corruption Office finalized the draft of a new Law Establishing an Anti-Corruption Office, with expertise from OHR's legal department and the Bureau of International Narcotics and Law Enforcement Affairs (INL) Office at the US Embassy. The new law will enable the Office to control reported cases of possible corruption and provide a clear course of action if such reports are substantiated through cooperation with law enforcement institutions.

56. During the reporting period, authorities continued to pursue programs established earlier to improve fiscal transparency and good governance standards, such as (1) civil service reform, including a new Law on Civil Service and a Law on Public Employees to establish transparent and merit-based hiring practices; (2) public administration reform, including a new Law on Public Administration to ensure coordinated, accountable, and transparent management of resources, and (3) strengthened efficiency and integrity of public companies in the District.

57. Brčko District also took further steps to strengthen its energy security. In addition to an EU-compliant legal framework for energy, renewables, and energy efficiency adopted in the previous period, an Energy Working Group

established earlier with the task of identifying additional legislative barriers to investment in these energy sectors began drafting amendments and new legislation for the District to achieve the goals of the energy sector. Furthermore, in line with the Sustainable Energy and Climate Action Plan, Brčko District officially launched the Green Cities Action Plan (GCAP) to enhance environmental performance in a cost-efficient and financially sustainable way. Equally, the District has continued to invest in retrofitting public buildings for better energy efficiency.

58. As infrastructure development is vital for increased investment, District authorities are engaged with the World Bank in further preparation of five infrastructure projects for the Sava and Drina Rivers Corridors Integrated Development Program.

59. In the previous reporting period, preliminary discussions occurred for reconstructing the Brčko-Gunja Bridge connecting the Brčko port to the commercially crucial Zagreb-Belgrade highway in Croatia. During this reporting period, an agreement was reached for sharing costs of bridge reconstruction between the Republic of Croatia and Bosnia and Herzegovina. The State oversees the ratification of this agreement.

60. Activities have continued identifying the routes for the Belgrade-Sarajevo and Belgrade-Banja Luka highways and preparing related spatial planning documents.

61. The port, bridge, and highway completion will transform Brčko into a transportation hub connecting Bosnia and Herzegovina to the Western Balkans and the European Union markets.

62. Based on an agreement signed with an Austrian-based consortium, construction works started on the District's first business zone, which will also be the first free trade zone. This is the first of a total of four phases of investment worth BAM 250 million. The consortium is preparing four more investment projects in the District, valued at BAM 100 million. It has committed to investing approximately BAM 500 million in eight projects over ten years, creating up to 4,000 private sector jobs. Increasing private sector jobs will help break patronage networks established through voter dependency on party-controlled public sector jobs.

63. The Brčko District authorities erected a joint memorial for all civilian war victims. The unveiling ceremony was on 16 February this year, and several representatives from diplomatic missions attended. This joint monument sets a precedent in Bosnia and Herzegovina.

Fiscal Sustainability

64. I continued to follow developments relevant to the fiscal sustainability of Bosnia and Herzegovina, including the adoption of budgets at all levels of government.

65. In previous years, uncertain and inadequate financing affected Bosnia and Herzegovina's institutions' ability to carry out their constitutional and legal obligations. Due to the late adoption of the Global Framework of Fiscal Balance and Policies for 2023-2025, the 31 December 2022 deadline for adopting the Budget of the Institutions and International Obligations of Bosnia and Herzegovina for 2023 was not met. Temporary financing commenced automatically on 1 January 2023 based on a Decision of the High Representative on 7 June 2022. It was in force until the two chambers of the state parliament adopted the 2023 budget on 29 and 30 March 2023.

66. The delay was partly due to the General Elections and the legitimate view that budgeting should be the incoming authorities' prerogative. On 9 February 2023, the Fiscal Council of Bosnia and Herzegovina held its first constituent session, chaired by the new Chairwoman of the Council of Ministers and the Fiscal Council Borjana Krišto (HDZ BiH). The first attempt by the Fiscal Council to reach an agreement on the Global Framework of Fiscal Balance and Policies for the Period 2023-2025 failed due to a lack of support for the proposed document by Republika Srpska representatives. However, when Borjana Krišto convened the second session of the BiH Fiscal Council on 6 March, the Fiscal Council unanimously adopted the overdue Global Framework of Fiscal Balance and Policies for 2023-2025. The adopted document foresees a 22% increase over the 2022 budget for state institutions. The state's share in indirect tax revenues in 2023 will increase by 18% to BAM 1.020 billion, which is the first significant increase for State institutions from this source of revenue since 2012.

67. The system of indirect taxation remains vital for the fiscal stability of all levels of government in Bosnia and Herzegovina. In the reporting period, the Governing Board of the Indirect Taxation Authority (ITA) adopted the second temporary debt settlement between the entities on the distribution of indirect taxes from the Single

Account for 2022, according to which Republika Srpska owed the Federation BAM 28.8 million.

68. There was no attempt to address longstanding issues, including the outstanding BAM 30 million debt of the Indirect Taxation Authority to Republika Srpska based on a 2015 BiH Court decision. Attempted debt enforcement by Republika Srpska from public revenue accounts of the Indirect Taxation Authority caused financial damage to all indirect tax revenue beneficiaries, including both entities and the Brčko District, as well as to recipients of value-added tax refunds and customs insurance depositors. It prompted the Court of Bosnia and Herzegovina to suspend it until 11 July 2023 to identify an alternative enforcement source.

69. Another longstanding dispute concerns the distribution model for the accumulated road toll revenue reserves of about BAM 211 million, intended for highway and road construction. Disagreement over distribution prevents using these funds for highway and road construction. It also damages the Indirect Taxation Authority financially as a State-level institution that neither decides on this matter nor benefits from these funds due to charges by the Central Bank of Bosnia and Herzegovina on deposit accounts. On 8 March, the Indirect Taxation Authority Governing Board published a public advertisement for the election and appointment of a new director of the Indirect Taxation Authority.

70. The failure to address these and similar issues with financial implications affects the functioning of the single indirect tax system and the confidence in its institutional structure.

71. During the reporting period, the Central Bank carried out its constitutional and legal responsibilities professionally and efficiently despite facing continued challenges, including high inflation rates. It has now been more than a year that the Governing Council of the Central Bank has operated in a caretaker capacity, as the Bosnia and Herzegovina Presidency has not appointed a new Council.

Rule of Law Issues

72. A strong rule of law relies on a professional judiciary, free from undue political pressure and influence. Therefore, I strongly support essential and long-overdue improvements in the High Judicial and Prosecutorial Council of Bosnia and Herzegovina, which appoints and disciplines all judges and prosecutors. A small package of technical but essential amendments to the Law on High Judicial and Prosecutorial Council of Bosnia and Herzegovina (HJPC) has still not been adopted. These amendments are a critical part of the 14 key priorities from the European Commission's Opinion on Bosnia and Herzegovina's application for EU membership.

73. These amendments envision fundamental changes to ensure judicial integrity, addressing issues of conflict of interest, disciplinary responsibilities, and the legality and transparency of appointment decisions. These technical amendments have not been adopted due to politically motivated efforts to weaken the state-level institutions and the judiciary. However, preparation for an entirely new law on the HJPC has started. This new law would adopt better standards for building integrity and trust in the judiciary and support legal harmonization with EU standards.

74. In the reporting period, the Draft Law on the Courts of Bosnia and Herzegovina, another important legislation that forms part of the EU's key priorities, was finalized after the Venice Commission of the Council of Europe issued its Opinion on the Draft on 14 March. The Draft envisions establishing a new separate high court at the state level to deal with legal remedies against BiH Court decisions. The Draft also specifies that state jurisdiction in criminal matters, besides the Criminal Code of Bosnia and Herzegovina, extends to adjudication of crimes prescribed by the Criminal Codes of the Entities and Brčko District when those crimes are of inter-entity character or otherwise bear consequences for the entire state. This criminal jurisdiction is essential for the state to defend its constitutional values.

75. In addition, the Bosnia and Herzegovina Ministry of Justice reinvigorated its work on legislation to ensure all prerequisites for confiscating any material gain acquired through crime. They started preparing an updated criminal procedure code to incorporate EU regulations.

76. An Agency for the Prevention of Corruption and Coordination of the Fight against Corruption was officially established in 2009, but, in its beginning, insufficiently supported by legislative and executive institutions. Its main responsibilities are prevention of corruption, education and coordination of anti-corruption activities, including the analysis of corruption trends and development of anti-corruption policies. In the reporting period, state budget funding for the Agency has significantly increased. The OHR commends and supports the work of the Agency and encourages international partners to step up their engagement with the Agency as well in its fight against

corruption.

D. Further Challenges to the General Framework Agreement for Peace

Genocide Denial, Glorification of War Criminals and Commemoration Efforts

77. Although criminalizing genocide denial had a general preventive effect, denial and war criminals' glorification still occur, particularly in the political arena. This imparts further pain and offense to victims and society and sabotages reconciliation efforts. Several dozen instances of genocide denial and glorification of war criminals were reported to the Prosecutor's Office of Bosnia and Herzegovina. Still, reports are being dismissed, and the prosecutors have not yet issued indictments.

78. On a positive note, the rules of criminal procedure in Bosnia and Herzegovina envision the possibility of restarting prosecution even if prosecutors dismissed potential criminal cases. Decisions not to investigate are non-public prosecutorial decisions; therefore, the public learns about them only through a specific request.

79. The Chief Prosecutor of Bosnia and Herzegovina requested domestic centers for judicial training and the international community to train individual prosecutors to raise their understanding of hate crimes and the evidence required to prosecute them. Training for prosecutors and judges would be an efficient way to ensure certain criminal behavior is being prosecuted and brought to court. Training on hate speech and hate crimes has been long overdue in Bosnia and Herzegovina, and the situation has not improved. These offenses challenge social cohesion and must receive swift and adequate judicial attention.

80. In many locations, families of victims and survivors still cannot memorialize places of suffering, even with a simple plaque. Depending on which ethnic group is in control, municipal authorities will enable some war victims to install memorials but deny others. I am convinced that the adoption of a state legislation regarding memorialization processes could be instrumental in honoring victims' memories and avoiding the manipulation of narratives about the past.

81. There is also no progress on compensation for the victims of the war. The country still lacks a comprehensive program for civilian victims of torture, including former camp detainees and survivors of conflict-related sexual violence, and for families of missing persons. Despite good practices at the entity level, a state-level law is needed to secure a non-discriminatory approach to all categories of victims. A 2019 decision from the UN Committee against Torture, ordering the State to ensure applicants receive adequate compensation, has not been implemented.

82. Victims can rarely obtain compensation even if their case was adjudicated, as the culprits, as a rule, do not have the financial means to pay damages. Bosnia and Herzegovina has not established a national program for compensating victims if the parties liable for the harm are unable or unwilling to meet their obligations.

Discrimination

83. Discrimination in Bosnia and Herzegovina is complex, encompassing many issues and groups. Discrimination is a threat to the unity of the country. Discriminatory actions reflect deeply rooted negative stereotypes against groups who are numerical ethnic minorities in their communities, Roma, returnees, religious minorities, migrants, and LGBTQI individuals.

84. Discrimination has been witnessed in the ethnic-based election and appointment processes for public officials; it perpetuates divisions and the manipulation of ethnic constituencies for political aims. Ethnic minorities and persons who do not belong to any constituent people (called "the Others") are often politically underrepresented. They cannot run for certain high political offices, which the European Court of Human Rights has ruled as discrimination in several cases.

85. When ethnic groups are in the minority, they often face discrimination regarding memorialization and religious practice. This is especially the case for the returnees. Civil society efforts to memorialize victims belonging to national or ethnic minorities at the entity level, particularly in Republika Srpska, have been hampered by local authorities (often belonging to the majority ethnic group) or by administrative requirements that delay or block the process for years. A significant example of this problem is the failure of local authorities in the wider Srebrenica area to fulfill the requests of victims' families to commemorate atrocities on sites where they occurred, for

instance, by installing memorial plaques. While the victims belonging to the minority are denied exercising their right to memorialize, others belonging to the majority are allowed to do so.

86. Minority groups also face discrimination in their religious practices. In the reporting period, there were several examples of attacks on religious authorities and buildings, including shots fired at the Aladža mosque in Foča and Livno or the desecration of the Serb-Orthodox Cathedral of the Holy Trinity in Mostar and the Orthodox Temple of the Ascension in Stolac, by unknown persons.

87. Furthermore, returnees often encounter a hostile environment that can lead to discrimination and violent confrontations. They struggle to access many areas of basic rights, such as labor market opportunities, social benefits, and healthcare.

88. Social exclusion and discrimination against the Roma remain widespread, particularly in housing, employment, education, and access to health services. The Roma community is often targeted by hate crimes and hate speech, including verbal or physical assaults, derogatory language, and negative stereotypes. National minorities face challenges in gaining recognition and significant barriers to achieving emancipation and inclusion, especially in education and representation.

89. Other groups that face discrimination in Bosnia and Herzegovina are migrants and asylum seekers. While the number of asylum seekers and migrants has decreased in recent years, there is still a lack of adequate protection and sensitive accommodation for those with specific needs, such as medical or psychological care. Migrants outside formal reception centers face increased violence, exploitation, and abuse risks.

90. Discrimination based on sexual orientation or gender identity is a serious problem, affecting employment, education, housing, and health care, and can manifest in hate speech and violence. Prosecuting hate crimes and hate speech remains insufficient, as reported attacks based on the victim's sexual orientation or gender identity have not been investigated thoroughly. Attacks on LGBTQI persons and supporters are increasing, especially in Republika Srpska, where certain politicians speak of defending "patriarchal" and "traditions values" and refrain from condemning those attacks. The lack of protection for LGBTQI persons remains concerning.

91. More efforts are needed to combat discrimination and promote tolerance to ensure a more inclusive and equal society, fostering stability in Bosnia and Herzegovina.

Trust-Building and Reconciliation

92. Ethno-nationalist leaders continue to pursue war-time agendas of division, hampering reconciliation in the country. This rhetoric encourages diverging narratives about the conflict and crimes committed during the war. I am convinced that despite many advances and achievements, at a certain point, it becomes difficult, if not impossible, for a post-war society to flourish and move on without meaningful reconciliation.

93. Post Traumatic Stress Disorder (PTSD) remains widespread and often unaddressed in Bosnia and Herzegovina. It is indispensable that state institutions intensify efforts to heal these traumas and to contribute to reconciliation in society. I also call upon the members of the international community to support such efforts.

94. Also, despite several attempts, the country has not been able to implement an official countrywide truth and reconciliation mechanism. Diverging narratives about the past massively impact the education system: Divisive ethnonationalist narratives are reflected in the various school curricula, particularly in history.

95. Both divided and mono-ethnic schools further calcify divisions between communities. According to the findings of the newest OSCE-funded Report on Learning and Teaching in the Period of 1992-1995 in Primary Schools throughout Bosnia and Herzegovina, bias and ethnocentric perspectives persist in the new generation of history textbooks.

96. Exhumations of war victims from clandestine graves are still ongoing. With over 75% of cases resolved, the country has the highest missing person case resolution rate in any post-conflict society worldwide. However, 7,600 persons are still missing (as of March 2023). The Missing Persons Institute (MPI) continues to operate as a central, state-level institution coordinating the process in a non-discriminatory manner. Still, it is constantly under political pressure, calling for the process to be demoted to the level of entities. This means re-introducing the ethnic principle in searching for and identifying missing persons.

97. According to *Trial International*, a non-governmental organization that fights impunity for international crimes, about 20,000 women survivors of conflict-related sexual violence in Bosnia and Herzegovina continue to suffer from the physical and psychological consequences of their wartime experience.

98. However, there are positive change agents on the local level who generate or strengthen mutual understanding, empathy, and respect and are often overshadowed by negative events. Inclusive memorialization activities have taken place in Bosanski Petrovac and Žepče. In February 2023, a common memorial for all civilian victims of the war was unveiled in Brčko.

99. Another positive example of inter-ethnic cooperation is the joint initiative in Gacko (Republika Srpska) to build a peace park. Such initiatives are sparse and insufficiently recognized or covered by the media. The calls of Ćamil Duraković, the newly elected Vice President of Republika Srpska, for better cooperation between peoples have remained unanswered.

100. The impact of these local initiatives is, however, limited. Trust- and peacebuilding at the local level will only be able to generate an environment conducive to reconciliation if political authorities take meaningful political and legislative actions. Adopting statewide legislation on memorialization processes could be instrumental in honoring the memory of the victims and avoiding the manipulation of narratives about the past.

101. I am convinced that despite many advances and achievements, at a certain point, it becomes difficult, if not impossible, for a post-war society to flourish and move on without meaningful reconciliation.

Youth Issues

102. The voice of youth and youth organizations are often not heard by domestic politicians. Without professional staff and adequate resources, youth organizations have limited capacity to affect the decision-making process. There is a need to bring young people from different backgrounds and regions together and give them better political and economic participation opportunities.

103. OHR organized two youth workshops during the reporting period (on 5 December 2022, in Sarajevo, and on 29 March 2023, in Teslic), bringing young people from different communities together for informal exchanges with the High Representatives. The workshops identified challenges that youth face in Bosnia and Herzegovina and discussed what changes could help youth stay in the country.

104. Brain drain continues to be an enormous problem for Bosnia and Herzegovina. Thousands of young people leave the country yearly to build their future in EU Member States such as Germany, Austria, Croatia, and Slovenia.

105. Political participation among youth is low. There is a general mistrust in the political system and the economic structure mainly because of widespread corruption, nepotism, segregated education, divided society, and the limited job market.

III. Developments related to the State-level Institutions of Bosnia and Herzegovina

A. Presidency of Bosnia and Herzegovina

106. The newly elected members of the Presidency of Bosnia and Herzegovina – Željka Cvijanović (Alliance of Independent Social Democrats, SNSD), Željko Komšić (Democratic Front, DF), and Denis Bećirović (Social Democratic Party of Bosnia and Herzegovina, SDP) – took their oaths of office on 16 November 2022. In the first eight months after the elections, Željka Cvijanović will chair the Presidency.

107. The new BiH Presidency held in the reporting period a total of four regular and several extraordinary or urgent sessions and maintained its regular protocol activities.

108. The Presidency of Bosnia and Herzegovina welcomed the decision by the European Union to grant the Candidate Status for membership to Bosnia and Herzegovina. This is one of the rare issues with no dissonant voices among the Presidency members.

109. The Presidency was also united in assisting Türkiye in the aftermath of the devastating earthquakes.

110. However, from the outset, the Presidency members had diverging positions on several issues, namely state

property, Russia' war in Ukraine, NATO integration, state holidays, the conduct of foreign policy, state border issues, and the constitutional order, as created by the General Framework Agreement for Peace.

111. On 22 December 2022, the Presidency passed a Decision to appoint Borjana Krišto (Croat Democratic Union of Bosnia and Herzegovina, HDZ BiH) as Chairwoman to the BiH Council of Ministers, with a dissenting vote from Presidency Member Komšić.

112. On 20 March 2023, the BiH Presidency adopted the Law on Budget of Institutions of Bosnia and Herzegovina and International Obligations for 2023, over the dissenting vote of Mr. Komšić, along with a proposal to amend the State Law on salaries and other remunerations in the Institutions of Bosnia and Herzegovina to prevent an uncontrolled wage raise for elected officials. Both proposals were transmitted to the BiH Parliamentary Assembly under an urgent procedure. Additionally, the BiH Presidency approved the conclusion of various memoranda of understanding and other international agreements.

113. The newly elected Presidency member Denis Bećirović established three consultative expert councils – the Constitutional Legal Council, the Foreign Affairs Council, and the Economic Council. These Councils are expert consultative *pro bono* bodies that provide opinions and recommendations to the Presidency member.

114. The Presidency members Denis Bećirović and Željko Komšić continuously responded to anti-Dayton actions and rhetoric by Milorad Dodik, the President of Republika Srpska. They both submitted a request to the Constitutional Court of Bosnia and Herzegovina to assess the constitutionality of the new Republika Srpska Law on Immovable Property, asking the Court to issue an interim measure putting the challenged law out of force pending a final decision.

B. Council of Ministers of Bosnia and Herzegovina

115. After previous elections, the BiH Council of Ministers was established more rapidly than any other state government. On 28 December 2022, after a positive vetting process, the BiH House of Representatives confirmed the appointment of Borjana Krišto (HDZ BiH) as Chairwoman of the Council of Ministers. The appointment of all ministers and deputy ministers of the Council of Ministers was confirmed by the House of Representatives on 25 January 2023.

116. Until mid-January 2023, the previous Council of Ministers met in a technical capacity. For this reason, former Council Chairman Zoran Tegeltija welcomed the decision of the European Union to grant Bosnia and Herzegovina candidate status on 15 December 2022.

117. The incoming Council of Ministers held its first session on 2 February 2023, when it appointed its internal bodies and representatives to international bodies and organizations. The new BiH Council of Ministers held ten regular sessions and four urgent sessions.

118. The BiH Council of Ministers adopted the Law on Budget of Institutions of Bosnia and Herzegovina and International Obligations for 2023 and the Framework Budget Document for 2023-2025, previously harmonized with the Global Fiscal Framework. It also adopted changes and amendments to the Law on Armed Forces of BiH, the Law on Border Control and the Law on Free Access to Information on the level of BiH Institutions. In March 2023, the Program of Economic Reforms for 2023-2025, per guidelines of the European Commission, was adopted. It focuses on 25 reform measures embedded in structural reforms to strengthen competitiveness and eliminate obstacles to growth.

119. Furthermore, the BiH Council of Ministers adopted its Work Program for 2023. Reforms related to EU Integration remain among the main priorities as well as activities and measures aimed at addressing the needs of the local economy, public health, and the quality of lives of citizens in general, regional cooperation, the rule of law, and human rights.

120. During the reporting period, the BiH Council of Ministers adopted several technical decisions, reports, analyses, by-laws, strategies, decisions on ratification of international agreements, and documents governing the work of the BiH Council of Ministers. The adopted documents include a Decision allocating funds to assist Türkiye after the earthquake, a strategy to fight organized crime for 2023-2026, a strategy to adjust to climate changes and low emission growth 2020-2030, changes to the by-law on the implementation of the Law on Prevention of money laundering and financing terrorist activities, the migration strategy 2021-2025, the legal protection strategy

on nuclear waste at Trgovska Gora, a reform program for cooperation with NATO 2021-2022, and a strategy for the prevention and fight against terrorism 2021-2026.

121. The BiH Council of Ministers additionally made appointments to various State institutions (including State Border Police, the Office for Foreigners, Memorial Center Srebrenica-Potočari, etc.) due to the expiry of mandates. The Indirect Taxation Authority (ITA) was tasked to initiate a long overdue procedure for appointing the Director of ITA, whose mandate expired in June 2020.

122. The new BiH Council of Ministers has continued the practice of not proposing legislation unless full political consensus is secured to allow a swift adoption of laws by the BiH Parliamentary Assembly. Therefore, the legislative output of the new government is still modest.

C. Parliamentary Assembly of Bosnia and Herzegovina

123. Following the general elections of 2 October 2022, both Houses of the BiH Parliamentary Assembly were constituted and elected their leadership at inaugural sessions. The House of Representatives held its inaugural session on 1 December 2022, electing Denis Zvizdić (NiP) as Speaker, Marinko Čavara (HDZ BiH) as the First Deputy Speaker, and Nebojša Radmanović (SNSD) as the Second Deputy Speaker. In its inaugural session on 16 February 2023, the BiH House of Peoples established three Caucuses of the constituent peoples and elected Nikola Špirić (SNSD) as the Speaker, Kemal Ademović (NiP) as the First Deputy Speaker and Dragan Čović (HDZ BiH) as the Second Deputy Speaker.

124. The constitution of all working bodies of both houses of the BiH Parliamentary Assembly and the appointment of its delegations to international parliamentary bodies was finalized on 29 March 2023.

125. The new majority coalition in the parliamentary assembly comprises the parties SDP, Our Party (Naša Stranka), NiP, BiH Initiative, HDZ BiH, SNSD, United Srpska (Ujedinjena Srpska), and the Democratic Union (DEMOS). They cooperate based on a written coalition program.

126. During the reporting period, the BiH House of Representatives held five regular and four urgent sessions, while the BiH House of Peoples held four regular sessions and one urgent session.

127. The sixth regular session of the BiH House of Representatives on 19 April 2023 was adjourned, following a collective walk out by the parties from Republika Srpska as a sign of protest against a Joint Statement signed by six Federation parties on state property.

128. The only new legislation fully adopted by the BiH Parliamentary Assembly was the Law on Budget of BiH Institutions and International Obligations for 2023.

129. The required parliamentary approval was given to ratify various international agreements and other minor technical documents and reports. The BiH Parliamentary Assembly rejected seven laws, of which the House of Representatives rejected two laws proposed by individual delegates meant to amend existing legislation. The House of Peoples rejected five laws amending existing legislation before being adopted by the House of Representatives.

130. I will closely follow the legislative output of the newly elected Parliamentary Assembly, especially regarding the requirements from the European Union Commissions Opinion on Bosnia and Herzegovina's application for membership in the European Union on 29 May 2019.

D. Pending Appointment of Judges to the Constitutional Court of Bosnia and Herzegovina

131. The Federation House of Representatives and the Republika Srpska National Assembly have not yet fulfilled their obligation to appoint a replacement for Judge Mato Tadić, who retired last August, and for Judge Miodrag Simović, who retired in November this year. At the time of this writing, the Working Group of the Federation House of Representatives for conducting the appointment process finalized its work. Still, there is no agreement among the members of the parliamentary committee for the selection and appointment of the candidates who will be proposed to the House of Representatives for a final vote.

132. The Federation House of Representatives and the Republika Srpska National Assembly must fully comply with their obligations arising under Annex 4 to the General Framework Agreement and ensure the appointment of

judges to all vacant positions foreseen for domestic judges in the Constitutional Court.

IV. Developments Related to the Federation of Bosnia and Herzegovina

133. As outlined in previous reports, no new government was appointed in the Federation following the 2018 General Elections. The Government from the 2014-2018 mandate remained in a technical mandate. Due to the death of two ministers and the resignation of one minister in previous reporting periods, 3 of 16 ministerial posts remain vacant. There was no agreement on appointing a new Government or replacing the missing ministers due to the Croat Democratic Union of Bosnia and Herzegovina (HDZ BiH) official position not to approve any appointments until political parties – mainly HDZ BiH and the Bosniak-dominated Party of Democratic Action (SDA) – reached an agreement on electoral reform. The situation was further complicated because Prime Minister Fadil Novalić (SDA) was convicted on 5 April 2023 and sentenced to four years in prison for abuse of office for his role in the controversial procurement of 100 ventilators early in the COVID-19 pandemic, worth BAM 10.5 million. Despite this criminal conviction, he is not obliged to resign his office and is expected to appeal. Deputy Prime Minister/Minister of Finance Jelka Miličević (HDZ BiH) was acquitted in the same case.

134. Nevertheless, the caretaker Government of the Federation met regularly and held 24 regular and 16 extraordinary sessions.

135. The inaugural session of the House of Representatives (HoR) took place on 1 December 2022, followed by the inaugural session of the House of Peoples (HoP) on 17 January 2023. The parliamentary leaderships of both houses of the Federation Parliament are finally complete. In the previous mandate, both parliamentary leaderships lacked a deputy speaker from the ranks of the Serb people.

136. At the inaugural session of the Federation House of Peoples, the requisite group of delegates in the Bosniak and Croat Caucus nominated their candidates for President/Vice President of the Federation of Bosnia and Herzegovina. On 27 January, the group of delegates in the Serb Caucus nominated their candidate for the same position.

137. Both parliamentary Houses adopted the Budget for 2023 in time in late January. The Federation House of Peoples also elected the Bosniak and Croat delegates to the House of Peoples of the Parliamentary Assembly of Bosnia and Herzegovina on 27 January.

138. The two Houses of the Parliament of the Federation of Bosnia and Herzegovina frequently met, with the House of Representatives holding two regular and five extraordinary sessions and the House of Peoples holding one regular and two extraordinary sessions following the October elections. Regarding legislative output, two new laws and two amendments to existing laws were adopted.

139. On 16 February 2023, the slate for the election of the President and Vice Presidents of the Federation of Bosnia and Herzegovina got unanimous support in the parliamentary Houses. Since there was no agreement among the three elected candidates who would take the position of the President, on 28 February, the House of Representatives appointed Lidija Bradara (Croat, HDZ BiH) as the President and Igor Stojanović (Serb, SDP) and Refik Lendo (Bosniak, SDA) as the Vice Presidents of the Federation of Bosnia and Herzegovina. The Central Election Commission verified and published the results of this indirect election on 6 March, after which the President and Vice-Presidents had a deadline of 30 days to appoint the Federation Government. The Federation Constitution requires that the President, in agreement with both Vice Presidents, shall appoint the Government upon consultation with the Prime Minister or nominee for that office. The Government shall be elected after its appointment has been confirmed by a majority vote of the House of Representatives.

140. On 24 March 2023, a bloc of eight parties (the so-called “Osmorka”) and HDZ BiH signed an agreement on the Federation Government in Mostar defining the distribution of ministries among parties. Pursuant to this agreement, HDZ BiH would get six ministries, while the Osmorka would get the Prime Minister position and ten ministries^[1]. The coalition also agreed on an additional strategy paper for the executive and legislative powers for 2022- 2026.

141. Federation Vice-President Refik Lendo (SDA), whose party is not part of the majority coalition, declared that this agreement shows the majority parties’ “intention to ignore the Constitution of the Federation and obstruct and block the finalization of the process of forming the executive authority.” He added that he would not agree to the composition of a new Federation Government if it does not include ministers from the SDA. After Federation President Bradara reached an agreement within the majority coalition, she continued negotiations with the two

Vice-Presidents.

142. On 30 March, President Bradara signed a Decision to appoint a Prime Minister and a government with the consent of Vice President Igor Stojanovic (SDP). On 3 April, Vice President Lendo expressed his disagreement with this decision.

143. On 5 April, the President Bradara forwarded the Decision to the Federation Parliament for information and indicated that the Vice President Refik Lendo does not intend to comply with the deadline for appointment of the Government as prescribed by the Constitution. The deadline expired on April 6, 2023.

144. On 6 April, in an extraordinary session, the Federation House of Representatives concluded that the process of the appointment of the Government is not completed. The House instructed the Constitutional Commission of this House to review the existing constitutional system and initiate harmonization and/or amendment of the constitutional provisions in order to achieve a permanent constitutional solution that will enable the appointment of the Government for the current as well as every subsequent convocation of the Parliament. At this point, I encouraged President and Vice-President to continue their negotiations and to propose a government which will be supported by a parliamentary majority.

Request for Removal of Federation President Lidija Bradara

145. On 12 March, two associations representing victims and witnesses of genocide and war crimes sent a letter to OHR demanding the removal of Federation President Lidija Bradara and banning her from performing any further public office. The request was related to a televised interview on 10 March, in which President Bradara reiterated that she does not renounce her friends, including Bosnian-Croat war criminal Dario Kordić.^[2] She concluded that Kordić “obviously stopped being a war crime convict” after serving his sentence.

146. On 15 March, the House of Representatives rejected a request by the political party Democratic Front (DF) to consider Ms. Bradara’s removal from the position of Federation President. DF believed that Ms. Bradara directly violated the oath by which she undertook to respect the Federation Constitution and the rule of law and may have offended numerous victims of Mr. Kordić.

Constitutional Court of the Federation of Bosnia and Herzegovina

147. As reported earlier, the Constitutional Court had been operating in a limited capacity since 2019, with only five sitting judges out of nine required under the Federation Constitution. The Vital National Interest Panel of the Court could not function, as it had only four sitting judges, which does not meet the quorum of five. The absence of a functioning Vital National Interest Panel of the Constitutional Court could be abused to indefinitely block the adoption of legal acts by the Federation and cantonal legislatures and the formation of new authorities at the level of the State and the Federation of Bosnia and Herzegovina.

148. The Amendments to the Constitution of the Federation of Bosnia and Herzegovina that I imposed on 2 October 2022 streamlined the appointment of judges to the Constitutional Court of the Federation of Bosnia and Herzegovina. They obliged the Federation President and Vice-Presidents to fulfill their part of the appointment process within five days or abdicate their responsibility to the House of Peoples of the Federation. The measure also streamlined the appointment of the Vital National Interest Panel members in the Federation Constitutional Court by giving the Court authority to appoint the panel from its members.

149. On 5 October, shortly before the expiry of the deadline set in my decision, the President, with the concurrence of two Vice-Presidents, nominated three judges to the Court and submitted the decision to the House of Peoples.

150. The House of Peoples voted on these nominations on 19 October, electing judges to three vacant positions^[3]. A judge for the fourth vacant position, Alen Teletović (Bosniak), was selected directly from a list submitted by the High Judicial and Prosecutorial Council of Bosnia and Herzegovina to the 13th Extraordinary Federation House of Peoples Session on 2 November.

151. Furthermore, on 5 December, pursuant to my 2 October Decision, the Constitutional Court adopted a Decision on the election of three judges to vacant positions on the Vital National Interest Panel, bringing it back to full functionality.

152. For the first time since 2019, the Federation Constitutional Court and its Vital National Interest Panel now

work at their full capacity thanks to the imposed amendments of 2 October, which were a substantial part of the functionality package aimed at unblocking the court.

153. I regret that legislation adopted in 2014 establishing a special prosecutor's and a court's department for fighting corruption and organized crime remains unimplemented.

Mostar: Outstanding Adoption of the City Statute and the Agreement signed in June 2020

154. On 23 February 2023, the Mostar City Council held its 30th regular session. During the session, the Council discussed the adoption of the City Statute for the first time. The City Statute was enacted by a previous High Representative in 2004, and the amendments to the Statute were agreed by the main political parties in the 2020 Mostar agreement.

155. To avoid a politicized prolongation or vacuum between the adoption of the HR's Statute from 2004 and the adoption of the agreed Statute under the Mostar Agreement from 2020, the Speaker of the City Council (Bosniak) asked the OHR whether the voting procedures, in our interpretation, allows the adoption of the 2004 Statute as amended in 2009 and the adoption of the amendments of 2020 agreed on Statute as amendments in one vote. On 15 February, I clarified in a letter that the draft decision of the City Council can be subject to one vote. As the Statute stipulates, a qualified parliamentary majority of two-thirds (23 of 35 city councilors) must adopt the statute.

156. Lengthy discussion over the adoption led to completely polarized positions between the SDA-led Coalition, which supported the adoption, and HDZ BiH, which disagreed about procedures. Thus, on 23 February, the City Council failed to adopt the Statute of 2004 and the 2020 amendments. This means that the Statute imposed by my predecessor in 2004 remains in force. I encouraged the parties to intensify their dialogue on the adoption and implementation of the agreed Statute and to work towards a functional, fair and integrated city structure for Mostar.

Cantonal Developments

157. In terms of implementing the 2022 General Election results at the cantonal level, all ten cantons started with inaugural sessions of their newly elected Cantonal Assemblies between 10 and 22 November 2022. Eight of ten cantons completed the process of constituting their Cantonal Assemblies. In the two cantons where the process is incomplete (Herzegovina-Neretva and Canton 10), there are issues in different Peoples' Caucuses that prevent the election of representatives to the Assemblies' leaderships.

158. In terms of implementing the 2022 General Election results at the cantonal level, all ten cantons started with inaugural sessions of their newly elected Cantonal Assemblies between 10 and 22 November 2022. Nine of ten cantons completed the process of constituting their Cantonal Assemblies, i.e. all except Herzegovina-Neretva where political divergences prevent the election of a representative of the Serb Caucus to the Assembly leadership.

159. In terms of executive authorities, seven out of ten cantons have set their parliamentary majorities and have formed Governments, as follows: Bosnian Podrinje (7 December 2022), Zenica Doboje (23 December 2022), Posavina (7 February 2023), Una-Sana (15 March 2023), Tuzla (22 March 2023), Sarajevo (24 March 2023) and West Herzegovina (27 March 2023). Regarding the ruling majorities in those seven cantons, HDZ BiH is the ruling party in two Cantons (Posavina and West Herzegovina). In the other five Bosniak-dominated Cantons, the ruling coalitions vary – three are led by the so-called Troika bloc, which comprises the three parties SDP-NiP-NS (Zenica-Doboje, Bosnia Podrinje, Sarajevo). Two involve SDA (Una-Sana and Tuzla) with different local partners. The remaining three cantons (Central Bosnia, Canton 10 and Herzegovina-Neretva with the Government in technical mandate since 2018) are waiting for the formation of the Federation Government to elect their governments. Finally, all cantons have adopted the 2023 Budgets in time.

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V. Developments Related to Republika Srpska

161. Following the 2022 general elections in October, the ruling coalition in Republika Srpska (RS) formed the government swiftly. All Republika Srpska institutions – the RS National Assembly, the RS Council of Peoples, and the RS Government — have been formed without delay.

162. The RS government has met regularly, holding nine sessions. The National Assembly of Republika Srpska has held one regular, one constitutive, and eight special sessions during which thirty-three pieces of legislation were adopted, including the legislation that violates the rulings of the Constitutional Court of Bosnia and Herzegovina on state property.

163. Another retrograde action by the RS National Assembly was adoption of legislation re-criminalizing defamation and insult in the first reading. It is worrying that the RS National Assembly adopted it despite all the criticism from the media, opposition, and national and international organizations (UN, OSCE, CoE, EU, OHR). The Law aims to shrink the civic space and reduce public debate and, as such, will limit media freedoms and freedom of opinion and expression.

164. The Republika Srpska government passed restrictive legislation on NGO financing, the Law on Special Register, and Transparency of Work of Non-Profit Organizations on the same day. As drafted, the law places unreasonable burdens on the right to freedom of association and leaves too much space for political manipulation and abuse. Its passage would significantly threaten human rights and democracy in the Republika Srpska.

165. The reporting period has seen physical and verbal attacks and incidents against LGBTQI activists, human rights defenders, and journalists in Republika Srpska. What is particularly worrying is that the RS Police seemed to deliberately fail to respond and protect those who had been attacked and did not treat all their citizens equally. Remarks by President Dodik directed against the LGBTQI community and Banja Luka Mayor Draško Stanivuković contributed to an atmosphere of intimidation. President Dodik even announced legislation banning LGBTQI persons from accessing and working in schools and other educational institutions. These developments have contributed to heightening a climate of intimidation for civil society actors (including journalists) and citizens that are critical of the Republika Srpska authorities' rhetoric and policies.

166. Republika Srpska authorities continued with their practice of non-compliance with the Constitutional Court of Bosnia and Herzegovina rulings, including the celebration of the 9 January. More than ever, this year, it served as a provocation and demonstration of power by Republika Srpska in disrespect of the decisions of the Constitutional Court, which had declared the celebration unconstitutional. The RS authorities organized the celebration on 9 January 2023 in Istočno Sarajevo (Eastern Sarajevo), close to Inter-Entity Boundary Line (IEBL), which provoked harsh reactions. BiH Presidency member Željka Cvijanović and high-ranking representatives of Serbia also attended this celebration. The Steering Board of Ambassadors of the Peace Implementation Council condemned the celebration publicly.

Political Rhetoric

167. In Republika Srpska, the relationship between the ruling coalition and the opposition continued to be tense in the post-election period. The ruling coalition in Republika Srpska has continued to resort to ethno-nationalistic rhetoric, creating a politically heated atmosphere with little room for constructive dialogue. Even in the post-election period, the RS authorities have continued to label opposition politicians as traitors, particularly if they host meetings with ambassadors of foreign countries.

168. Throughout the reporting period, Milorad Dodik, President of Republika Srpska and leader of the ruling Alliance of Independent Social Democrats (SNSD), repeatedly used inflammatory rhetoric that questioned the territorial integrity, sovereignty, multiethnic character of Bosnia and Herzegovina and the genocide in Srebrenica.

169. On 8 January, Dodik said in his speech at the ceremony marking the Day of Republika Srpska in Banja Luka: "We want our state. Why can't we say that we want our state?". President Dodik also threatened secession over

the state property issue. On 16 March, he said at a news conference in Banja Luka: "They will not get the property. The moment they try, and we know that they plan to involve the High Representative to impose the law at the level of Bosnia and Herzegovina and allocate the property, it will be the moment the High Representative imposes a decision on the separation of Republika Srpska from Bosnia and Herzegovina. They can count on us having an RSNA session immediately. I will propose a decision to separate from Bosnia and Herzegovina the moment they touch the property". On 9 January, Dodik said at the parade in Istočno Sarajevo: "This space belongs to the Serbs, who on 9 January formed their own Republika Srpska". On 21 February, for instance, Mr. Dodik said at a news conference in Banja Luka: "Genocide did not happen there (sic! In Srebrenica)."

170. On 23 March, the Government of Republika Srpska passed a decision ceasing cooperation with diplomats from the United States and the United Kingdom, two members of the Steering Board of the Peace Implementation Council and the Western Balkans quint. The Government called upon representatives of all RS institutions, RS representatives in all state-level bodies, and RS local communities to cease cooperation with representatives of these two countries.

171. Ethno-nationalistic rhetoric contributes to inter-ethnic tensions, most notably in Prijedor and Višegrad's mixed population of Serbs and Bosniaks. Besides rhetoric and intimidation, a set of highly problematic legislation is in preparation and risks fostering the authoritarian tendency in Republika Srpska.

Relations with OHR

172. In addition to the longstanding practice of the Government of Republika Srpska of refusing to deliver documentation on government sessions to OHR, since October 2021, the RS National Assembly has prevented OHR staff from attending parliament sessions. This recently established practice has continued in the reporting period, thus preventing my staff from carrying out the mandate of my office in accordance with Annex 10 to the General Framework Agreement for Peace.

173. In Republika Srpska, the legality of the existence of the High Representative and OHR was publicly questioned numerous times, particularly by SNSD leader Milorad Dodik.

VI. Public Security and Law Enforcement, including Intelligence Reform

Law Enforcement

174. The practice of inappropriate political interference in operational policing has not diminished during the reporting period. Contested appointments of top police officials continue to plague Bosnia and Herzegovina.

175. On 9 February 2023, after months of delay, the Council of Ministers of Bosnia and Herzegovina appointed a new Border Police Director, State Information and Protection Agency Deputy Director, and two Directorates for Coordination of Police Bodies Deputy Directors. The Independent Board of Bosnia and Herzegovina sent the list of successful candidates to the Council of Ministers of Bosnia and Herzegovina in August 2022.

176. However, the Council of Ministers of Bosnia and Herzegovina did not yet appoint the new Border Police Deputy Director and the Directorate for Coordination of Police Bodies Director at the same session. The mandates of officials in these two posts expired in May 2022, and those officials continue to work in technical mandates.

177. On 21 February, the Independent Board of Bosnia and Herzegovina launched a new public vacancy for these two posts. On 28 March, the Independent Board of Bosnia and Herzegovina did not review the received applications for the two posts due to an inconclusive discussion on an unrelated agenda item and a resulting loss of quorum.

178. On 9 March, the Sarajevo Canton Government dismissed the Sarajevo Canton Police Commissioner after a long period of politically charged controversy and appointed an acting Police Commissioner at the same session.

179. The Government of the Federation of Bosnia and Herzegovina has yet to appoint a new Police Director. The Federation of Bosnia and Herzegovina has been without a duly appointed Police Director since 2019. The mandate of the Independent Board of the Federation of Bosnia and Herzegovina expired in August 2022, and the Parliamentary Assembly of the Federation of Bosnia and Herzegovina has yet to appoint a new one.

180. In October 2022, the Una Sana Canton Police Commissioner completed his four-year mandate, and the post

remains vacant. Una Sana Canton doesn't have a functioning Independent Board.

Intelligence

181. On 23 February 2023, the Council of Ministers of Bosnia and Herzegovina appointed a new Director-General, Deputy Director-General, and Chief Inspector of the Intelligence-Security Agency of Bosnia and Herzegovina for four-year mandates. The mandates of the previous Director-General, Deputy Director-General, and Chief Inspector expired in November 2019. On 15 March, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) adopted sanctions against the previous Director-General Osman Mehmedagić, indicating that he had abused a state-owned telecommunications company to benefit one party.

VII. Economy

Economic Trends

182. In general, the preliminary indicators of economic activity in 2022 show some positive trends and recovery from the COVID-19-related slumps. However, they do not necessarily reflect an accurate economic and social development level. In certain areas, statistical progress is due to a low base for comparison or external factors.

183. In 2022 total exports and imports increased by 25.9% and 32.6%, respectively compared to the same period last year, while industrial production grew by 1.7%. The inflation rate was 14.8%. Foreign direct investments in 2022 totaled BAM 1.2 billion, an increase of 16.3% compared to 2021. The banking sector was assessed as generally stable, liquid, and profitable. According to the preliminary data, in 2022, the banking sector in Bosnia and Herzegovina achieved a record profit of BAM 502 million, a 22.8% increase compared to last year. On 3 February 2023, the rating agency Standard & Poor's reaffirmed the sovereign credit rating of Bosnia and Herzegovina at "B" and changed the outlook from "stable" to "positive."

184. At the end of 2022, there were 354,323 unemployed persons, or 5.7% fewer compared to the same month in 2021. The registered unemployment rate in November was 29.5%. The labor force survey-based unemployment rate for the third quarter of 2023 is around 14.8%. Out of the total number of unemployed persons (203,000): 61.9% persons are age 25 - 49 years, 19.2% are age 15 - 24, 18.4% are age 50 - 64, and 0.4% are older than 65. Registered employment at the end of November 2022 totaled 846,912 persons, or 0.1% increase compared to the previous month.

185. The number of pensioners continues to increase, totaling 710,700 persons at the end of December. The average net salary of BAM 1,190 and the average pension of BAM 480 remain significantly below the average price of the basket of goods of over BAM 2,800 for a four-member family. This suggests that even those with steady incomes struggle to make ends meet. Pensioners are particularly vulnerable. About 60% of pensioners or around 426,000 persons, receive the minimum pensions of BAM 242 in Republika Srpska and BAM 445 in the Federation of Bosnia and Herzegovina. They must survive on BAM 8 - 14 a day.

186. The outflow of youth is among the most serious impacts of the multiple political, economic, and social challenges Bosnia and Herzegovina faces. It impairs the ability of the country to move forward. The Union for Sustainable Return and Integrations of Bosnia and Herzegovina estimates that nearly half a million people have left the country in the last ten years. This trend may compromise the overall economic, political, and social development of Bosnia and Herzegovina.

187. The United Nations Population Fund (UNFPA) recently launched a demographic resilience project for Bosnia and Herzegovina and forecasted in November 2022 that the total number of inhabitants of Bosnia and Herzegovina will likely decline almost linearly in the next five decades. "Assuming the country's population amounted to 3.47 million persons at the end of the year 2020, then its total number should reach the mark of about 1.56 million within a realistic range defined by 1.27 and 1.81 million inhabitants by 2070. The reasons for such a dramatic drop are clear enough - low and decreasing natality due to a shrinking number of potential mothers and low fertility, a relatively high and increasing number of deaths caused by the growth of the number of older people, and negative net migration."

188. The Heritage Foundation's 2023 Index of Economic Freedom ranked Bosnia and Herzegovina again as a "moderately free" country. The analysis shows that Bosnia and Herzegovina's economic dynamism has been affected by the global economic slowdown and the government's generally slow transition to regulatory efficiency

and open-market policies. The foundations of economic freedom are fragile and uneven across the country. Poor protection of property rights and widespread corruption discourage entrepreneurial activity. Transparency International's Corruption Perceptions Index 2022 ranked Bosnia and Herzegovina 110th of 180 countries. TI's analysis shows that although Bosnia and Herzegovina ranks the same as last year, it declined with a score of 34 points in 2022 compared to 35 in 2021. This is the worse score of Bosnia and Herzegovina in the previous ten years, and the country has the lowest ranking in the region.

Fiscal Issues

189. There were no delays in foreign debt servicing and the regular monthly budget payments in the reporting period. This was mainly due to the continued growth of indirect tax revenue, the main source of budget revenue for all levels of government, but also to continued borrowing. The IMF released no funds to Bosnia and Herzegovina in the reporting period.

190. In 2022, the Indirect Taxation Authority collected BAM 9.96 billion in revenues from indirect taxes. This is a 17.5% increase compared to the same period in 2021 and a new record in the collection of indirect taxes since the establishment of the Indirect Taxation Administration of Bosnia and Herzegovina.

191. According to a report by the Ministry of Finance and Treasury, Bosnia and Herzegovina's overall public debt at the end of 2022 amounted to BAM 13.00 billion – 29.17% of Bosnia and Herzegovina's gross domestic product. In this amount, foreign debt is BAM 9.80 billion (75.35%), and domestic debt is BAM 3.20 billion (24.65%). The share of the Federation in the overall debt is 50.16%, the share of Republika Srpska is 48.86%, and the share of the State institutions and Brčko District is 0.61% and 0.37%, respectively.

192. On 29 March, the House of Representatives of the State and on 30 March, the House of Peoples adopted the 2023 budget. The Budget for State Institutions and International Obligations of Bosnia and Herzegovina for 2023 amounts to BAM 2.561 billion, a 35% increase compared to 2022. The amount foreseen for financing BiH institutions increased by 23%, amounting to BAM 1.315 billion. The amount anticipated for servicing foreign debt in 2023 is BAM 1.245 billion, an increase of 52% compared to 2022.

193. Domestic revenues for financing the BiH Institutions total BAM 1.173 billion (16% increase compared to 2022), of which BAM 1.020 billion come from indirect tax revenues (18% increase), BAM 152.1 million from non-tax revenues (5% increase) and BAM 0.69 million from transfers from other levels (6% increase). The budget shows a deficit of BAM 142.0 million (129% increase). It is planned to cover it mainly from transferred surplus funds from previous years for BAM 141.1 million and from the sale of fixed assets (BAM 0.99 million).

194. On the expenditure side, the adopted budget plans, among others, BAM 791.0 million for gross salaries and allowances (25% increase); BAM 172.5 million for compensations of employees and members of the parliament (24% increase); BAM 199.5 million for material and service expenditures, rent, agreed services, etc. (4% increase), BAM 33.9 million for current transfers and grants (8% increase) and BAM 90.5 million for capital expenditures for purchasing land, buildings, and equipment (86% increase).

195. The 2023 budget increased by 23% compared to the 2022 adopted budget, which could be sufficient to remedy the material and social status of around 23,000 State employees. The chronic underfunding of State Institutions in the last ten years seriously undermines the ability of State institutions to fully meet their legal obligations, to keep and recruit qualified personnel, and to finance vital operational and capital expenditures. The chronic lack of funds affects the defense and security sectors.

196. The Federation maintained budget stability during the reporting period mostly due to the continued growth of indirect taxes and borrowing. On 27 January, the House of Representatives of the Federation adopted the 2023 Federation Budget for BAM 6.72 billion, an increase of BAM 1.12 billion or 20% over the 2022 budget.

197. In the Federation, total domestic revenue of BAM 5.45 billion is projected, a 22% increase compared to the 2022 budget. It includes indirect tax revenues of BAM 2.07 billion (23% increase), revenues from contributions to the pension fund of BAM 2.68 billion (21% increase), and non-tax revenues in the amount of BAM 516.6 million (6% increase). A new transfer on the revenue side of the 2023 budget is a support package by the European Union to Bosnia and Herzegovina worth BAM 90.5 million, which aims to mitigate the negative socio-economic impact of the energy crisis.

198. In the Federation, borrowing and receipt from financial assets in the 2023 budget are planned for BAM 905 million, a 2% decrease compared to the 2022 budget. This is to be covered by short-term domestic borrowing (BAM 360.0 million), long-term domestic borrowing (BAM 330.0 million), loans received through the State (BAM 115.0 million), and receipts from financial assets (BAM 100.0 million). In addition, a BAM 200 million surplus from the previous period and BAM 169.7 million in earmarked transferred funds for the construction of highways and expressways are planned on the revenue side of the budget.

199. On the expenditure side, the Federation budget foresees BAM 306.22 million for gross salaries and allowances (13% increase), BAM 33.3 million for employee contributions (15% increase), BAM 131.52 million for expenditures for material and service (1% increase), and BAM 4.577 billion for current transfers (22% increase). This includes transfers to social and veteran categories, pension funds, transfers to stabilize the economy, and transfers to lower levels of authority. Capital transfers are planned for BAM 325.1 million (2% increase). The Federation debt payment in the adopted budget totals BAM 1,122 billion (32% increase), of which foreign debt totals BAM 729.5 million (56% increase).

200. On 16 February 2023, the Federation House of People adopted in a short procedure the law on changes to the law of basic social protection, protection of the civil victims of the war, and protection of families with children in the Federation of Bosnia and Herzegovina. Implementing this Law will start on 1 April 2023. It could have serious fiscal consequences on the adopted 2023 budget since the new financial obligation exceeds available funds (BAM 160 million) in the adopted budget by over 70%.

201. The stability of budget payments in Republika Srpska was also primarily due to the sustained growth of indirect tax revenues and continued domestic borrowing. On November 2, 2022, the National Assembly of Republika Srpska (RSNA) adopted the 2023 Budget. It amounts to BAM 5.4 billion, an increase of 35% compared to the 2022 budget. The Republika Srpska Budget 2023 has been projected to mitigate the negative effects of inflation^[1] on citizens and the economy. Almost half the budget funds are planned for pensions and civil servants' salaries, BAM 1.545 billion and BAM 1.132 billion, respectively. The RS Government planned a 2023 budget deficit of BAM 261.2 million (1.7% of the estimated RS Gross Domestic Product/GDP for 2023). The RS Government planned long-term borrowing for BAM 1.1 billion and BAM 300 short-term borrowing, while a debt service for BAM 922 million is foreseen.

202. Until now, the Government of Republika Srpska serviced its financial obligations regularly. The RS continues to operate in a fragile financial environment, financing almost a fourth of its regular budgetary needs through borrowing. The entity's authorities continued borrowing from the local capital market to cover the regular budgetary needs as planned in the 2023 budget. According to the Republika Srpska Ministry of Finance, the entity's total debt as of the end of 2022 amounted to BAM 6.4 billion, 46% of the estimated RS 2022 Gross Domestic Product (GDP).

Specific International Obligations

203. The Energy Community Ministerial Council, during its annual meeting held on 15 December 2022, did not extend the punitive measures to Bosnia and Herzegovina, which were a response to various serious and persistent breaches of the Treaty. The Council offered another opportunity to remedy violations and called upon Bosnia and Herzegovina to step up efforts, in cooperation with the Secretariat, to fully implement the Treaty in 2023. Bosnia and Herzegovina has been on and off sanctions since 2015 due to nine serious breaches of the Energy Community law that have not been rectified to date. The Energy Community comprises the 27 Member States of the European Union and 6 European states and territories in the Western Balkans.

204. The mandates of all members of the management and the management board of the Electricity Transmission Company of Bosnia and Herzegovina expired five years ago. However, the appointment of new members is still on hold. While the Government of the Federation of Bosnia and Herzegovina nominated its members to the Company's management board in December 2020, the previous convocation of the Council of Ministers of Bosnia and Herzegovina decided not to proceed with the appointments until Republika Srpska submits its nominees. Thus far, Republika Srpska has taken no action to do so. An additional delay in these appointments could complicate decision-making on issues of relevance for the company and electricity transmission in general. The Electricity Transmission Company of Bosnia and Herzegovina was established by the Bosnia and Herzegovina Law Establishing the Electricity Transmission Company, adopted by the Parliamentary Assembly of Bosnia and Herzegovina in 2004, following the June 2003 agreement between the two entities regulating the issue of the establishment of a joint transmission company and independent system operator at the state level, based on

Article III (5) (b) of the Constitution of Bosnia and Herzegovina.

Bosnia and Herzegovina Public Railways Corporation

205. As the only mechanism for a harmonized approach to reconstructing railway routes in Bosnia and Herzegovina, the Bosnia and Herzegovina Public Railways Corporation remains financially vulnerable due to its full dependence on unreliable entity financial transfers. Over the years, decreasing transfers affected the Corporation and stalled its development from which the railway companies of both entities, all citizens, and the country's economy would benefit. The uncertainty of financing poses a risk to the sustainability of the Corporation, which is the only corporation established under Annex 9 of the General Framework Agreement for Peace. It is encouraging that Edin Forto, the new Minister of Communications and Transport of Bosnia and Herzegovina, declared the development of railway infrastructure as one of his priorities.

VIII. Developments Related to Annex 7 on Return of Refugees and Displaced Persons

206. The realization of the right of refugees and displaced persons to return to their homes of origin under Annex 7 to the General Framework Agreement for Peace remains a challenge. As previously, return is of low intensity and often occasional, although in certain communities of high symbolic value. This low intensity is not only due to the situation in the communities of origin, but also to the fact that, over time, many refugees and displaced persons, their children and grandchildren adapted to their living situation in their society of exile.

207. Several return-related incidents occurred during the reporting period, including repeated attacks on a Bosniak café owner in the center of Bratunac in December 2022 and, on 23 March, a case of the brutal beating and robbing of an elderly Bosniak couple near Višegrad. Though not high in number and perhaps not always motivated by inter-ethnic hatred, these cases impact these vulnerable minority communities, particularly the Bosniak community in the Republika Srpska.

208. Instances of glorification of war criminals add to a sense of insecurity and open the way to further confrontation. A memorial plaque in honor of convicted war criminal General Ratko Mladić in the Vraca part of Sarajevo was again smashed in January 2023. A mural in Foča, dedicated to the controversial WW2 Serb General Draža Mihajlović, involved in atrocities against Bosniaks, was painted over in November 2022. In March 2023, a Serb nationalist group named *Eastern Alternative* put up a banner on Ratko Mladić's birthday in the center of Bratunac, which was removed after the local authorities' commendable and swift reaction. On the other hand, a memorial house in Višegrad commemorating the victims of a live torching from 1992 was damaged by unknown perpetrators in March.

209. Several other incidents caused concerns about inter-ethnic tensions: Reported vandalism or desecration of religious buildings and memorial sites, such as the damage at a Mostar Orthodox church (December 2022) or the emergence of a video of a youth urinating at the wall of one of the mosques in the town of Bijeljina (January 2023), as well as desecration of a World War 2 memorial near Bihać (March 2023) and, most recently, the attempted burglary of the Stolac Orthodox church, are often not significant in terms of material damage but are perceived as a symbolic threat to the minority community. As such, they cause anxiety and insecurity and instigate ethnic hatred.

210. The inter-ethnic divide is also being deepened by the marking of disputed holidays, specifically the 9 January as the Day of the Republika Srpska, ruled unconstitutional by the Constitutional Court. Every year, this celebration revives painful war memories among the Bosniaks. They perceive this celebration mainly as a message that Republika Srpska belongs only to Serbs. Such exclusive markings hold in themselves the potential to heighten tensions and often serve as a stage for incidents.

211. Other inter-ethnic incidents include an assault on parents of Serbian children from Belgrade who participated in a kids' soccer tournament on 14 January 2023 in Ilidža (Federation). The incident was widely covered in the media and triggered a series of strong statements. The atmosphere got additionally heated when a video of the Imam of Prijedor (Republika Srpska) appeared at the end of January 2023. He presented the Serb Orthodox Church in a very negative light, prompting an investigation by the police of Republika Srpska for inciting ethnic hatred. This incident, in turn, prompted Archbishop Hrizostom, the Serb Orthodox Church representative, to suspend his participation in the work of the Inter-Religious Council. Authorities could do much better by stressing the need for peace and calm on such occasions.

212. Another example is the Chetnik gatherings in Višegrad, which occurred again on 6 January 2023, despite a December court verdict convicting this group of inciting ethnic hatred during their prior meetings there. This group, sentenced to 5 months of prison, was supported by a public rally in Trebinje in January. Instead of reconsidering behavior perceived as intimidating, they get encouragement to continue with the same practice.

213. The situation, meanwhile, remains unchanged when it comes to accommodating the socioeconomic needs of returnee/minority communities. Bosniak representatives in Republika Srpska continue to flag discrimination problems regarding the employment of Bosniaks in public companies and local administration, education, and the use of the Bosnian language under its proper name in the administration of Republika Srpska. The ability to meet the needs of returnees in education varies from region to region in both Entities, and the situation remains unchanged.

214. The local court in Srebrenica passed a verdict in December 2022, which acknowledges the discrimination of Bosniak students in the school in Konjević Polje. The case is now pending a second instance ruling. However, even prior rulings of higher-level courts (Constitutional Court decision from June 2021 and Republika Srpska Supreme Court Decision from 2019) have not prompted any change in practice. Furthermore, returnees in both the Republika Srpska and the Federation have continued to claim that the authorities violate their property rights by claiming the private property of returnees.

IX. Media Developments

215. On 23 March, the Republika Srpska National Assembly adopted in the first reading the Draft Law Amending the Criminal Code of Republika Srpska, which introduces new criminal offenses such as one in the category of crime against freedom and rights of citizens, which is the 'unauthorized publication and display of other people's files, portraits and recordings,' as well as criminal offenses against honor and reputation, namely 'insult, defamation, and disclosure of personal and family circumstances.'

216. The formulation of the new criminal offenses is vague and could lead to arbitrary interpretations or allow political influence on the judiciary. Adopting such a law would have far-reaching and serious consequences related to freedom of media, freedom of expression, and the activities of the political opposition in the RS and the rest of the country. This represents a retrograde initiative since defamation was decriminalized nationwide in 2002.

217. The public broadcasting system comprises three public broadcasting services (Bosnia and Herzegovina Radio-Television, Radio-Television of the Federation of Bosnia and Herzegovina, and Radio-Television Republika Srpska), which continues to face serious challenges. The relevant legislation has been compromised, and its provisions used selectively, causing exposure to improper political interference and introducing different and inappropriate financial solutions. Bosnia and Herzegovina Radio-Television (the state-level broadcaster) continues to struggle to pay day-to-day bills and fears additional blockages of its accounts by the tax authorities as it cannot service its obligations. The majority coalition in the Federation has so far made no steps to implement its November 2022 proclamation to reform the Public Broadcasting Service (PBS).

218. The Communications Regulatory Agency is finalizing the transition from analog to digital terrestrial broadcasting, reporting that MUX D, operated by a commercial network, is on track, with digital coverage ranging from 50-80%. The conditions for turning off analog terrestrial signals have been met. Commercial TV stations have signed contracts to access MUX D. However, with the Multiplex nearly at full capacity, the Agency is working on a solution to allow all interested broadcasters to switch to digital broadcasting soon. On the other hand, MUX A, which was supposed to be operated by three public broadcasters, i.e., its joint legal entity, is still blocked from purchasing necessary equipment.

X. European Union Military Mission in Bosnia and Herzegovina

219. EUFOR-ALTHEA is vital in safeguarding peace and security in Bosnia and Herzegovina, enabling my office and other international organizations to fulfill our respective mandates. The presence of EUFOR-ALTHEA in Bosnia and Herzegovina remains indispensable.

220. The unanimous approval by the United Nations Security Council to extend EUFOR/Althea is of utmost importance given the sensitive political situation in Bosnia and Herzegovina.

221. Visibility and mobility of the deployed EUFOR troops and availability of the intermediate reserve forces (IRF)

for EUFOR-ALTHEA are essential to react to potential and, possibly even simultaneous, deterioration of the security situation in Kosovo and Bosnia and Herzegovina.

222. While EUFOR's non-executive mandate (supporting collective and combined training of the Armed Forces of Bosnia and Herzegovina) is vital, it is equally important that EUFOR-ALTHEA retains its executive mandate and the capacity to deploy troops at short notice. In recent years, the international military presence was significantly reduced due to defense reforms and establishment of a single Bosnia and Herzegovina Armed Forces (AFBiH). This enabled the country to take the lead in preserving peace and security.

223. BiH needs strong, united, and well-equipped Armed Forces. The AFBiH is an important success story as a multi-ethnic State institution. The increase in the state budget in 2023 for the defense sector is a positive development. However, most growth is related to salaries, and insufficient resources were allocated to modernize the military equipment.

224. Defense is the state level's undisputable competence, and OHR remains committed to supporting the Ministry of Defense.

XI. Future of the Office of the High Representative

225. While OHR has faced substantial reductions to budgets and staff over the last few years, its remaining tasks have not decreased commensurately. The current annual operating budget of the organization remains at EUR 5.3 million. Collecting budgeted funds is still challenging, with EUR 1 million remaining uncollected in the current operating period. As previously noted, the Russian Federation suspended its contribution to the OHR budget in February 2022. OHR employs 75 national staff and 20 internationals, of which 15 are seconded in Sarajevo and its field offices.

226. To achieve progress on the 5+2 Agenda, a robust and efficient Office of the High Representative is indispensable. The capacity to fulfill the mandated responsibilities is restricted without the appropriate resources. This would be counterproductive to the goal established by the Steering Board of the Peace Implementation Council and could threaten the core mandate of OHR.

XII. Reporting Schedule

227. I submit this report in accordance with the requirement in UN Security Council Resolution 1031 (1995) for the High Representative to submit regular reports to the Secretary-General for transmission to the Security Council. Should the Secretary-General or any member of the Council require further information, I am at their disposal. The next regular report is scheduled for November 2023.

Notes:

[1] PM+ 4 SDP, 1 NiP, 1 NS, 1 SBiH, 1 NES, 1 BHI and 1 PDA

[2] ICTY ruled that the massacre in Ahmići (the killing of 116 civilians, mostly elderly, women and children) on 16 April 1993 was a crime against humanity. Dario Kordić, one of the commanders of this action (one of the leading politicians and members of the highest structures of Herzeg Bosnia), was sentenced to 25 years of prison. He was released before the expiration of the jail sentence (serving 17 years) in June 2014 when he was welcomed in Busovača by the entire HDZ BiH political leadership including Lidija Bradara.

[3] Ajša Softić (Bosniak), Branimir Orašanin (Serb) and Mirko Miličević (Croat)

[1] The RS Agency for Statistics reported an annual inflation rate of 14% in 2022.