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**Letter dated 3 May 2023 from the Secretary-General addressed to the President of the Security Council**

Conformément à la résolution 1031 (1995) du Conseil de sécurité,

j’ai l’honneur de vous faire tenir ci-joint le soixante-troisième rapport sur l’application de l’Accord de paix relatif à la Bosnie-Herzégovine, qui couvre la période du 16 octobre 2022 au 15 avril 2023 (voir annexe). Il convient de noter que tous les membres du Conseil de sécurité ne reconnaissent pas le Haut-Représentant chargé d’assurer le suivi de l’application de l'Accord.

Je vous serais reconnaissant de bien vouloir porter le rapport à l’attention des membres du Conseil de sécurité.

# (*Signé*) António **Guterres**

**Annex**

**Sixty-third report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina to the Secretary-General**

*Summary*

The present report covers the period from 16 October 2022 to 15 April 2023.

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

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 was detrimental to Bosnia and Herzegovina and its path to integration into the European Union. The continuation of the current caretaker government would lack democratic legitimacy.

On 23 March 2023, the Constitutional Court of Bosnia and Herzegovina 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 Constitution of Bosnia and Herzegovina and relevant international human rights covenants.

The secessionist rhetoric and action by the Republika Srpska authorities, namely Milorad Dodik, have intensified in the reporting period and are poisoning the political climate in the entity and the entire country. The Republika Srpska authorities categorically reject the authority of the Constitutional Court of Bosnia and Herzegovina and the Office of the High Representative, and they pursue a confrontationist attitude towards Western partners. On 24 April, the Republika Srpska ruling parties signed a joint statement with concrete steps towards secession. This is a dangerous development. The redirection, 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.

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

I note a clear tendency towards authoritarianism in the 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.

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

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

**I. Introduction**

1. The present report is my fourth regular report submitted to the Security Council since I assumed the post of High Representative for Bosnia and Herzegovina in 2021. It represents an impartial assessment of the implementation of the civilian aspects of the General Framework Agreement for Peace with information on developments and progress towards achieving previously established goals.
2. I am fulfilling my mandate pursuant to annex 10 of the General Framework Agreement for Peace and in accordance with relevant decisions of the Security Council. Progress on the five objectives and two conditions (the 5 plus 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 fulfil. However, as my report indicates, concerning developments in the Republika Srpska, the outstanding formation of the Federation government, and profound divisions in society in Bosnia and Herzegovina challenge fundamental elements of the General Framework Agreement and create barriers to completing the 5 plus 2 agenda.
3. I reiterate that the parties must fully comply with the General Framework Agreement and overcome blockages at all government levels so that Bosnia and Herzegovina can take the obligatory political and legal steps to advance towards integration into the European Union.
4. This grew in importance after Bosnia and Herzegovina was granted candidate status in the European Union on 15 December 2022. It is crucial to keep this positive momentum. The clear commitment of Bosnia and Herzegovina 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 an irreversible path of progress that would turn the European Union perspective into a reality.
5. Full-scale constitutional reform, as well as electoral reform, is still needed in Bosnia and Herzegovina. The decisions of the European Court of Human Rights 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. I therefore encourage political parties in Bosnia and Herzegovina to address the question of electoral reforms.
6. The international community in Bosnia and Herzegovina remains committed to easing tensions and advocating dialogue and compromise.

**II. Political update**

**A. General political environment and challenges to the General Framework Agreement for Peace**

1. The post-election government formation process and destabilizing developments in the Republika Srpska dominated the reporting period.
2. The October elections were followed by the speedy formation of new authorities at different levels. At the State level, the presidency was inaugurated on time, and the Council of Ministers of Bosnia and Herzegovina was formed with unprecedented speed. Deadlines and procedures that I enacted with my decision on 2 October 2022 (the so-called functionality package) have been largely respected and implemented. The Presidents and Vice-Presidents of the Federation and the Republika Srpska are elected and in office. Both chambers of the State, the Federation and the 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 out of ten cantonal governments are in place. The State, the Federation (and all the cantons) and the Republika Srpska adopted their budgets in accordance with the legal deadlines.
3. 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.
4. 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 to the progress of Bosnia and Herzegovina towards implementing critical reforms for integration into the European Union.
5. The political environment remains generally fragmented and mainly divided along ethnic lines.
6. In the 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.
7. The President of Republika Srpska, Mr. Dodik, continues to question fundamental provisions of the General Framework Agreement for Peace and pursues a secessionist policy. In his letter of 6 March 2023 to the Prime Minister of Republika Srpska, Radovan Višković, President Dodik promotes an erroneous and misleading interpretation of the General Framework Agreement and the constitutional framework of Bosnia and Herzegovina. In this letter, Mr. Dodik asserts that the General Framework Agreement did not determine the internal continuity of the “Republic of Bosnia and Herzegovina” by any direct or indirect provision. This disregards, inter alia, explicit provisions of the Constitution of Bosnia and Herzegovina, including the principle of continuity between the Republic of Bosnia and Herzegovina and Bosnia and Herzegovina, as contained in article I.1. of the Constitution, which has been reaffirmed on many occasions by the Constitutional Court of Bosnia and Herzegovina. The 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.
8. Mr. 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, he said “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, he said “Serbs must never allow any form of organization other than the Serb national state, which is the Republika Srpska and Serbia, with which we have the right to be integrated in accordance with international law.”
9. I urge the Security Council to take these threats seriously. Mr. Dodik’s rhetoric calls into question the territorial integrity and sovereignty of Bosnia and Herzegovina, posing a threat to peace and stability in the country and potentially to the wider region. Mr. Dodik has also shown sympathy towards the role of the Russian Federation in the war in Ukraine.
10. 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.
11. Divisive and sometimes aggressive rhetoric by some religious leaders also increased tensions. For instance, on 1 March 2023, the Serb Orthodox Metropolitan, Hrizostom Rajko Jević, referred to Bosniaks as “Muslims” and later Muslims as “Mohammedans”. Another example of such rhetoric is the statement by the Reis-ul-ulema of the Islamic community in Bosnia and Herzegovina, Husein ef. Kavazović on 4 March, “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….”
12. There were some examples of malicious damage to religious buildings, as 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).
13. Attacks on returnees also cause concern. On 23 March, two elderly Bosniak returnees were physically assaulted and robbed near Višegrad in the Republika Srpska. A police investigation is ongoing.
14. 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, instances of Srebrenica genocide denial initially decreased. However, there has been a lack of judicial follow-up on the cases reported. The Srebrenica Memorial Centre 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 President of the Republika Srpska, Mr. Dodik. Efficient judicial responses to these cases remain challenging.
15. 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 plus 2 agenda, and the advancement of Bosnia and Herzegovina on its path towards integration into the European Union. Maintaining international attention on the situation in Bosnia and Herzegovina remains essential.
16. In the 2022 general elections in Bosnia and Herzegovina, of 7,258 candidates registered for the elections, 42 per cent were women. Although the legislative quota has been met in the election lists, the percentage of women who are members of parliament drastically decreased. In the Parliamentary Assembly of Bosnia and Herzegovina, only 18 per cent of members of parliament are women; in the National Assembly of the Republika Srpska, there are 17 per cent and in the Parliament of the Federation of Bosnia and Herzegovina, 23 per cent.
17. There are many causes for very low political participation by women. According to analyses of the Westminster Foundation for Democracy from 2019, 60,2 per cent of women candidates have experienced some form of violence against women in politics. It is noted in the same study that 74,7 per cent reported that social network users were the most common perpetrators of verbal violence against women in politics.
18. Borjana Krišto, Chair of the Council of Ministers of Bosnia and Herzegovina, and Dubravka Bosnjak, Minister of Civil Affairs, are the only two women on the Council of Ministers of Bosnia and Herzegovina. In the Republika Srpska, 4 out of 16 Government members are women.
19. 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.
20. According to the latest reports by the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), annual budget allocations for gender equality are still very low – 1.45 per cent at the level of the State institutions of Bosnia and Herzegovina, 5.79 per cent in the Federation of Bosnia and Herzegovina, and 6.39 per cent in the Republika Srpska.

**B. Decisions of the High Representative during the reporting period**

*Decision on the new Immovable Property Law of the Republika Srpska*

1. On 28 December 2022, the National Assembly of the 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 2022.
2. The new Law establishes ownership rights of subjects of public authority in the 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 as was articulated during a debate in the National Assembly of the Republika Srpska, it is aimed at legalizing various reregistrations of State and public property assets in the name and under the ownership of public authorities in the Republika Srpska.
3. As established in several decisions of the Constitutional Court of Bosnia and Herzegovina, the 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 Constitution of Bosnia and Herzegovina. Therefore, the new Law on Immovable Property of the Republika Srpska disregards several final and binding decisions of the Constitutional Court of Bosnia and Herzegovina 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 plus 2 agenda.
4. Therefore, on 27 February 2023, I issued a notice on the application of my order of 12 April 2022 to the new Republika Srpska 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 Republika Srpska Law on Immovable Property, now applied to and suspended the new Republika Srpska Law on Immovable Property. I again invited the Constitutional Court of Bosnia and Herzegovina 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 the 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 the Republika Srpska, creating more legal uncertainty and chaos.
5. Considering several requests to the Constitutional Court of Bosnia and Herzegovina were announced for a review of constitutionality, it was necessary to ensure that the application of the new Law on Immovable Property of the 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 the Republika Srpska until the Constitutional Court of the State rendered a final decision on the constitutionality or interim measures regarding the Law.
6. Following my decision, on 2 March 2023, the Constitutional Court of Bosnia and Herzegovina temporarily prohibited the application of the Law on Immovable Property of the Republika Srpska 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, Denis Bećirović and Željko Komšić, 11 delegates of the House of Representatives of Bosnia and Herzegovina and five representatives of the House of Peoples of the Federation of Bosnia and Herzegovina) for a review of the constitutionality of the new Law on Immovable Property of the Republika Srpska. The decision adopted grants the applicants’ requests for an interim measure, by which the Law on Immovable Property of the Republika Srpska was temporarily put out of legal force, i.e., rendered ineffective, pending a final decision of the Constitutional Court with regard to the requests submitted.
7. The Constitutional Court adopted an interim measure to prevent potential adverse consequences that could arise because of the application of the Law on Immovable Property of the Republika Srpska. Without prejudicing the final decision on the request, it considered that adoption of the interim measure was necessary for legal certainty, bearing in mind that the measure only temporarily suspended 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 the Srebrenica-Potočari Memorial Centre*

1. On 20 February 2023, I amended the Law on the Centre 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 Centre’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 Centre to reallocate the remaining funds to other purposes, such as construction and maintenance, and cooperation with other commemoration centres, foundations and associations worldwide.
2. The Srebrenica-Potočari Memorial Centre is an important monument for the truth and reconciliation efforts of Bosnia and Herzegovina. 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 Centre needs continuous care and attention from domestic and international actors.
3. The Memorial Centre and victims’ associations welcomed the decision, while political representatives from the Republika Srpska expectedly criticized it. Srebrenica victims’ associations continue to call for the sites of war atrocities to be marked. 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*

1. Apart from rapid budget adoptions at 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 plus 2 agenda. Bosnia and Herzegovina still faces considerable challenges regarding state and defence property, the rule of law and various aspects of fiscal sustainability. The Office of the High Representative continues to work towards constructive solutions in close cooperation with national and international partners.

*State and defence property*

1. During the reporting period, the Government of the Republika Srpska has been adopting decisions relating to transfers and disposal of State property, in violation of the State Property Disposal Ban. These decisions refer to non-prospective defence property, agricultural land, etc. In addition, an analysis of several individual property cases by my Office confirms the systemic, large-scale reregistration of various categories of State and public property as property owned by the Republika Srpska. Similar decisions allocating and disposing of State property have also been identified in several municipalities in the Federation of Bosnia and Herzegovina.
2. On 27 February 2023, after the adoption of the new Law on Immovable Property Used for the Functioning of Public Authority by the Republika Srpska, I enacted a notice on the application of my order of 12 April 2022 to the new law, as described in paragraphs 27–33 of the present report.
3. Following the adoption of the decision by the Constitutional Court of Bosnia and Herzegovina on the interim measure, the application of the High Representative’s Order of 12 April 2022 to suspend the new Law of the Republika Srpska ceased, in accordance with article 1 of the High Representative’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 that “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.”
4. 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 the Republika Srpska, in particular 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, Mr. 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*

1. In this reporting period, the focus of the institutions of Brčko District 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 and anti-corruption measures and launch public administration reform.
2. 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 Bosnia and Herzegovina (SBB) and the People and Justice Party ( Narod i Pravda) 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.
3. The Brčko District Supervisor and the Office of the High Representative continued to promote sustainable reforms and advance Brčko District towards completing the Final Award.
4. 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 advancement of public services.
5. At the request of Brčko District, the Supervisor issued a letter with legal effect, which was the first such letter in 13 years. It resolved discrepancies in applying entity legislation relating to insurance companies in the District.
6. 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 the legal department of the Office of the High Representative and the Bureau of International Narcotics and Law Enforcement Affairs Office at the Embassy of the United States of America. 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.
7. During the reporting period, authorities continued to pursue programmes established earlier to improve fiscal transparency and good governance standards, such as (a) civil service reform, including a new law on civil service and a law on public employees to establish transparent and merit-based hiring practices; (b) public administration reform, including a new law on public administration to ensure coordinated, accountable and transparent management of resources, and (c) strengthened efficiency and integrity of public companies in the District.
8. Brčko District also took further steps to strengthen its energy security. In addition to a European Union-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 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.
9. 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 Programme.
10. In the previous reporting period, preliminary discussions were held on reconstructing the Brčko-Gunja Bridge, connecting the port of Brčko to the commercially crucial Zagreb-Belgrade highway in Croatia. During this reporting period, an agreement was reached for sharing the costs of bridge reconstruction between the Republic of Croatia and Bosnia and Herzegovina. The State oversees the ratification of this agreement.
11. Activities have continued to identify the routes for the Belgrade-Sarajevo and Belgrade-Banja Luka highways and prepare related spatial planning documents.
12. 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.
13. Further to an agreement signed with an Austrian-based consortium, construction works began 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 KM 250 million. The consortium is preparing four more investment projects in the District, valued at KM 100 million. It has committed to investing approximately KM 500 million in eight projects over 10 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.
14. The Brčko District authorities erected a joint memorial for all civilian war victims. The unveiling ceremony was on 16 February 2023, and several representatives from diplomatic missions attended. This joint monument sets a precedent in Bosnia and Herzegovina.

*Fiscal sustainability*

1. I continued to follow developments relevant to the fiscal sustainability of Bosnia and Herzegovina, including the adoption of budgets at all levels of government.
2. In previous years, uncertain and inadequate financing affected the ability ’of the institutions of Bosnia and Herzegovina to carry out their constitutional and legal obligations. Owing 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 further to 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.
3. The delay was due partly to the general elections and the legitimate view that budgeting should be the prerogative of the incoming authorities. On 9 February 2023, the Fiscal Council of Bosnia and Herzegovina held its first constituent session, chaired by the new Chair of the Council of Ministers and the Fiscal Council, Borjana Krišto (Croat Democratic Union of Bosnia and Herzegovina, 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 owing to a lack of support for the proposed document by Republika Srpska representatives. However, when Ms. Krišto convened the second session of the Fiscal Council of Bosnia and Herzegovina 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 per cent increase over the 2022 budget for State institutions. The State’s share in indirect tax revenues in 2023 will increase by 18 per cent to KM 1.020 billion, which is the first significant increase for State institutions from this source of revenue since 2012.
4. 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 of Bosnia and Herzegovina adopted the second temporary debt settlement between the entities on the distribution of indirect taxes from the single account for 2022, according to which the Republika Srpska owed the Federation KM 28.8 million**.**
5. There was no attempt to address long-standing issues, including the outstanding KM 30 million debt of the Indirect Taxation Authority to the Republika Srpska based on a 2015 Bosnia and Herzegovina Court decision. Attempted debt enforcement by the 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. This prompted the Court of Bosnia and Herzegovina to suspend it until 11 July 2023 to identify an alternative enforcement source.
6. Another long-standing dispute concerns the distribution model for the accumulated road toll revenue reserves of approximately KM 211 million, intended for highway and road construction. Disagreement over distribution prevents these funds being used 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 owing to charges by the Central Bank of Bosnia and Herzegovina on deposit accounts. On 8 March, the Governing Board of the Authority published a public advertisement for the election and appointment of a new director of the Authority.
7. The failure to address these and similar issues with financial implications affects the functioning of the single indirect tax system and confidence in its institutional structure.
8. 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. The Governing Council of the Central Bank has now operated in a caretaker capacity for more than a year, as the Bosnia and Herzegovina presidency has not appointed a new Council.

*Rule of law issues*

1. Strong rule of law relies on a professional judiciary, free from undue political pressure and influence. I therefore 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 has still not been adopted. These amendments are a critical part of the 14 key priorities from the Opinion of the European Commission’s on the application of Bosnia and Herzegovina for European Union membership.
2. 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 owing to politically motivated efforts to weaken the State-level institutions and the judiciary. However, preparation for an entirely new law on the High Judicial and Prosecutorial Council has started. Under this new law, better standards would be adopted for building integrity and trust in the judiciary and legal harmonization with European Union standards would be supported.
3. In the reporting period, the draft law on the Courts of Bosnia and Herzegovina, another important item of legislation that forms part of the European Union’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 the establishment of a new separate high court at the State level to deal with legal remedies against Bosnia and Herzegovina Court decisions. It is also specified in the Draft that State jurisdiction in criminal matters, besides the Criminal Code of Bosnia and Herzegovina, extends to the adjudication of crimes prescribed by the Criminal Codes of the Entities and Brčko District when those crimes are of an inter-entity character or otherwise bear consequences for the entire State. This criminal jurisdiction is essential for the State to defend its constitutional values.
4. In addition, the Ministry of Justice of Bosnia and Herzegovina reinvigorated its work on legislation to ensure all prerequisites for confiscating any material gain acquired through crime. It began preparing an updated criminal procedure code to incorporate European Union regulations.
5. The Agency for the Prevention of Corruption and Coordination of the Fight against Corruption was officially established in 2009, but, at its inception, insufficiently supported by legislative and executive institutions. Its main responsibilities are the prevention of corruption, and education on 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 Office of the High Representative 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*

1. Although criminalizing genocide denial had a general preventive effect, denial and the glorification of war criminals still occur, in particular in the political arena. This imparts further pain and offence 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. Nonetheless, reports are being dismissed, and the prosecutors have not yet issued indictments.
2. On a positive note, the rules of criminal procedure in Bosnia and Herzegovina envision the possibility of restarting prosecution even if prosecutors have dismissed potential criminal cases. Decisions not to investigate are non-public prosecutorial decisions; therefore, the public learns about them only through specific requests.
3. The Chief Prosecutor of Bosnia and Herzegovina requested domestic centres 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 that certain criminal behaviour 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 offences challenge social cohesion and must receive swift and adequate judicial attention.
4. 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 State legislation regarding memorialization processes could be instrumental in honouring victims’ memories and avoiding the manipulation of narratives about the past.
5. There is also no progress on compensation for the victims of the war. The country still lacks a comprehensive programme 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 Committee against Torture ordering the State to ensure that applicants receive adequate compensation has not been implemented.
6. 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 programme for compensating victims if the parties liable for the harm are unable or unwilling to meet their obligations.

*Discrimination*

1. 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 lesbian, gay, bisexual, transgender, queer and intersex persons (LGBTQI) individuals.
2. 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.
3. 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, in particular in the 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 fulfil the requests of victims’ families to commemorate atrocities at the sites where they occurred, for instance, by installing memorial plaques. While the victims belonging to the minority are denied the exercising of their right to memorialize, others belonging to the majority are allowed to do so.
4. 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.
5. 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 labour market opportunities, social benefits and health care.
6. Social exclusion and discrimination against the Roma remain widespread, in particular 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.
7. 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 centres face increased violence, exploitation and abuse risks.
8. 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 the 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.
9. 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*

1. Ethno-nationalist leaders continue to pursue wartime 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.
2. Post-traumatic stress disorder 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.
3. In addition, 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, in particular in history.
4. Both divided and mono-ethnic schools further calcify divisions between communities. According to the findings of the newest Organization for Security and Co-operation in Europe (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.
5. Exhumations of war victims from clandestine graves are still ongoing. With over 75 per cent 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 at March 2023). The Missing Persons Institute continues to operate as a central, State-level institution coordinating the process in a non-discriminatory manner. Nonetheless, it is constantly under political pressure, calling for the process to be demoted to the level of entities. This means reintroducing the ethnic principle in searching for and identifying missing persons.
6. According to Trial International*,* a non-governmental organization (NGO) that combats impunity for international crimes, some 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.
7. However, there are positive change agents at the local level which 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.
8. 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 the Republika Srpska, for better cooperation between peoples have remained unanswered.
9. The impact of these local initiatives is, however, limited. Trust-building and peacebuilding at the local level will be able to generate an environment conducive to reconciliation only if political authorities take meaningful political and legislative action. Adopting statewide legislation on memorialization processes could be instrumental in honouring the memory of the victims and avoiding the manipulation of narratives about the past.
10. 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*

1. 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.
2. The Office of the High Representative 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. Participants at the workshops identified challenges that youth face in Bosnia and Herzegovina and discussed what changes could help youth stay in the country.
3. Brain drain continues to be an enormous problem for Bosnia and Herzegovina. Thousands of young people leave the country yearly to build their futures in European Union member States such as Germany, Austria, Croatia and Slovenia.
4. 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, a 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**

1. The newly elected members of the presidency of Bosnia and Herzegovina – Željka Cvijanović (Alliance of Independent Social Democrats), Željko Komšić (Democratic Front), and Denis Bećirović (Social Democratic Party of Bosnia and Herzegovina,) – took their oaths of office on 16 November 2022. In the first eight months after the elections, Željka Cvijanović will chair the presidency.
2. The new Bosnia and Herzegovina presidency held a total of four regular and several extraordinary or urgent sessions in the reporting period and maintained its regular protocolar activities.
3. The presidency of Bosnia and Herzegovina welcomed the decision by the European Union to grant candidate status for membership to Bosnia and Herzegovina. This is one of the rare issues with no dissonant voices among the presidency members.
4. The presidency was also united in assisting Türkiye in the aftermath of the devastating earthquakes.
5. However, from the outset, the presidency members had diverging positions on several issues, namely, State property, the Russian Federation war in Ukraine, North Atlantic Treaty Organization (NATO) integration, State holidays, the conduct of foreign policy, State border issues and the constitutional order, as created under the General Framework Agreement for Peace.
6. On 22 December 2022, the presidency adopted a decision to appoint Borjana Krišto (Croat Democratic Union of Bosnia and Herzegovina, HDZ BiH) as Chair to the Bosnia and Herzegovina Council of Ministers, with a dissenting vote by Mr. Komšić.
7. On 20 March 2023, the Bosnia and Herzegovina presidency adopted the Law on Budget of Institutions of Bosnia and Herzegovina and International Obligations for 2023, over the dissenting vote of Mr. Komšić, together 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 increase for elected officials. Both proposals were transmitted to the Parliamentary Assembly of Bosnia and Herzegovina under an urgent procedure. In addition, the presidency approved the conclusion of various memorandums of understanding and other international agreements.
8. Newly elected presidency member Mr. 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.
9. Presidency members Mr. Bećirović and Mr. Komšić continuously responded to anti-Dayton action and rhetoric by the President of the Republika Srpska, Mr. Dodik. 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**

1. After previous elections, the Council of Ministers of Bosnia and Herzegovina was established more rapidly than any other state government. On 28 December 2022, after a positive vetting process, the House of Representatives of Bosnia and Herzegovina confirmed the appointment of Borjana Krišto (HDZ BiH) as Chair 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.
2. Until mid-January 2023, the previous Council of Ministers met in a technical capacity. For this reason, the former Council Chair, Zoran Tegeltija, welcomed the decision of the European Union to grant Bosnia and Herzegovina candidate status on 15 December 2022.
3. 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 Council of Ministers held 10 regular sessions and 4 urgent sessions.
4. The 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 Bosnia and Herzegovina, the Law on Border Control and the Law on Free Access to Information on the level of Bosnia and Herzegovina Institutions. In March 2023, the Programme of Economic Reforms for 2023–2025, per guidelines of the European Commission, was adopted. It contains 25 reform measures embedded in structural reforms to strengthen competitiveness and eliminate obstacles to growth.
5. Furthermore, the Council of Ministers adopted its work programme for 2023. Reforms relating to integration into the European Union 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.
6. During the reporting period, the 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 Bosnia and Herzegovina 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 programme for cooperation with NATO 2021-2022, and a strategy for the prevention and fight against terrorism 2021-2026.
7. The Council of Ministers also made appointments to various State institutions (including the State Border Police, the Office for Foreigners, the Srebrenica-Potočari Memorial Centre, etc.) owing to the expiry of their mandates. The Indirect Taxation Authority was tasked with initiating a long overdue procedure for appointing the Director of the Authority, whose mandate expired in June 2020.
8. The new 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 Parliamentary Assembly of Bosnia and Herzegovina. The legislative output of the new government is therefore still modest.

**C. Parliamentary Assembly of Bosnia and Herzegovina**

1. Following the general elections of 2 October 2022, both Houses of the Parliamentary Assembly of Bosnia and Herzegovina 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 First Deputy Speaker, and Nebojša Radmanović (SNSD) as Second Deputy Speaker. At its inaugural session, on 16 February 2023, the House of Peoples of the Federation established three caucuses of the constituent peoples and elected Nikola Špirić (SNSD) as Speaker, Kemal Ademović (NiP) as First Deputy Speaker and Dragan Čović (HDZ BiH) as Second Deputy Speaker.
2. The constitution of all working bodies of both houses of the Parliamentary Assembly and the appointment of its delegations to international parliamentary bodies was finalized on 29 March 2023.
3. The new majority coalition in the Parliamentary Assembly comprises the SDP, Our Party (Naša Stranka), NiP, BiH Initiative, HDZ BiH, SNSD, United Srpska (Ujedinjena Srpska) and Democratic Union (DEMOS) parties. They cooperate on the basis of a written coalition programme.
4. During the reporting period, the House of Representatives held five regular and four urgent sessions, while the House of Peoples held four regular sessions and one urgent session.
5. The sixth regular session of the House of Representatives on 19 April 2023 was adjourned, following a collective walk out by the parties from the Republika Srpska as a sign of protest against a joint statement on State property signed by six Federation parties.
6. The only new legislation fully adopted by the Parliamentary Assembly was the Law on Budget of Bosnia and Herzegovina Institutions and International Obligations for 2023.
7. The required parliamentary approval was given to ratify various international agreements and other minor technical documents and reports. The Parliamentary Assembly rejected seven laws, of which the House of Representatives rejected two proposed by individual delegates for the amendment of existing legislation. The House of Peoples rejected five laws amending existing legislation before it was adopted by the House of Representatives.
8. I will closely follow the legislative output of the newly elected Parliamentary Assembly, especially regarding the requirements of the European Union Commissions Opinion on the application by Bosnia and Herzegovina for membership in the European Union on 29 May 2019.

**D. Pending appointment of judges to the Constitutional Court of Bosnia and Herzegovina**

1. The House of Representatives of the Federation of Bosnia and Herzegovina and the National Assembly of the Republika Srpska have not yet fulfilled their obligation to appoint a replacement for Judge Mato Tadić, who retired in August 2022, and for Judge Miodrag Simović, who retired in November 2022. At the time of writing of the present report, the working group of the House of Representatives of the Federation for conducting the appointment process finalized its work. However, 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.
2. The House of Representatives of the Federation and the National Assembly of the Republika Srpska 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 for domestic judges in the Constitutional Court.

**IV. Developments related to the Federation of Bosnia and Herzegovina**

1. 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 remains under a technical mandate. Following the death of two ministers and the resignation of one minister in previous reporting periods, 3 out of 16 ministerial posts remain vacant. There was no agreement on appointing a new government or replacing the missing ministers owing to the official position of the Croat Democratic Union of Bosnia and Herzegovina (HDZ BiH) not to approve any appointments until political parties, mainly the Democratic Union of Bosnia and Herzegovina and the Bosniak-dominated Party of Democratic Action (SDA), reached an agreement on electoral reform. The situation was further complicated by the fact that, on 5 April 2023, the Prime Minister, Fadil Novalić ,(Party of Democratic Action) was convicted and sentenced to four years in prison for abuse of office for his role in the controversial procurement of 100 ventilators early in the coronavirus disease (COVID-19) pandemic, worth KM 10.5 million. Despite this criminal conviction, he is not obliged to resign his office and is expected to appeal. The Deputy Prime Minister and Minister of Finance, Jelka Miličević, (HDZ BiH) was acquitted in the same case.
2. Nevertheless, the caretaker Government of the Federation met regularly and held 24 regular and 16 extraordinary sessions.
3. The inaugural session of the House of Representatives was held on 1 December 2022, followed by the inaugural session of the House of Peoples of the Federation on 17 January 2023. The parliamentary leaderships of both houses of the Parliament of the Federation of Bosnia and Herzegovina are finally complete. In the previous mandate, both parliamentary leaderships lacked a deputy speaker from the ranks of the Serb people.
4. At the inaugural session of the House of Peoples, the requisite group of delegates in the Bosniak and Croat Caucus nominated their candidates for President and 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.
5. Both parliamentary Houses adopted the budget for 2023 in time in late January. The House of Peoples of the Federation also elected the Bosniak and Croat delegates to the House of Peoples of the Parliamentary Assembly of Bosnia and Herzegovina on 27 January.
6. The two Houses of the Parliament of the Federation of Bosnia and Herzegovina met frequently, 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.
7. On 16 February 2023, the slate for the election of the President and Vice–Presidents of the Federation of Bosnia and Herzegovina received unanimous support in the parliamentary Houses. Since there was no agreement among the three elected candidates as to 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 Constitution of the Federation 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.
8. On 24 March 2023, a bloc of eight parties (the so-called “Osmorka”) and HDZ BiH signed an agreement in Mostar on the Federation Government, defining the distribution of ministries among the parties. Pursuant to this agreement, HDZ BiH would have 6 ministries, while the Osmorka would have the Prime Ministerial position and 10 ministries.[[1]](#footnote-1) The coalition also agreed on an additional strategy paper for the executive and legislative powers for 2022–2026.
9. The Vice-President of the Federation, Mr. Lendo (SDA), whose party is not part of the majority coalition, declared that the agreement showed 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 did not include ministers from SDA. After the Federation President, Ms. Bradara, reached an agreement within the majority coalition, she continued negotiations with the two Vice-Presidents.
10. On 30 March, President Bradara signed a decision to appoint a Prime Minister and a government with the consent of the Vice-President, Mr. Stojanovic (SDP). On 3 April, the Vice-President, Mr. Lendo, expressed his disagreement with this decision.
11. On 5 April, President Bradara forwarded the decision to the Parliament of the Federation of Bosnia and Herzegovina for information and indicated that the Vice-President, Mr. Lendo, did not intend to comply with the deadline for appointment of the Government as prescribed by the Constitution. The deadline expired on 6 April 6 2023.
12. On 6 April, in an extraordinary session, the House of Representatives of the Federation concluded that the process of the appointment of the Government was not complete. The House instructed the Constitutional Commission of the 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 would enable the appointment of the Government for the current, as well as every subsequent, convocation of the Parliament. At this point, I encouraged the President and the Vice-President to continue their negotiations and to propose a government which would be supported by a parliamentary majority.

*Request for removal of the President of the Federation, Lidija Bradara*

1. On 12 March, two associations representing victims and witnesses of genocide and war crimes sent a letter to the Office of the High Representative demanding the removal of the President of the Federation, Ms. 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 did not renounce her friends, including the Bosnian-Croat war criminal Dario Kordić.[[2]](#footnote-2) She concluded that Kordić “obviously stopped being a war crime convict” after serving his sentence.
2. 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 President of the Federation. DF believed that Ms. Bradara had 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*

1. 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 did 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.
2. 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 fulfil 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 members of the Vital National Interest Panel of the Constitutional Court by giving the Court authority to appoint the panel from its members.
3. 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.
4. The House of Peoples voted on these nominations on 19 October, electing judges to three vacant positions[[3]](#footnote-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 thirteenths extraordinary session of the House of Peoples of the Federation on 2 November.
5. Furthermore, on 5 December, pursuant to my decision of 2 October, 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.
6. 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 amendments imposed of 2 October, which were a substantial part of the functionality package aimed at unblocking the court.
7. 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*

1. On 23 February 2023, the Mostar City Council held its thirtieth 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.
2. To avoid a politized prolongation or vacuum between the adoption of the High Representative’s statute of 2004 and the adoption of the agreed Statute under the Mostar Agreement from 2020, the Speaker of the City Council (Bosniak) asked the Office of the High Representative whether the voting procedures, in our interpretation, allowed 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 councillors) must adopt the statute.
3. 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. Hence the City Council failed to adopt the Statute of 2004 and the 2020 amendments on 23 February. 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*

1. **Implementation of the 2022 General Election results at the cantonal level. A**ll 10 cantons began with inaugural sessions of their newly elected cantonal assemblies, from 10 to 22 November 2022. Eight out 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.
2. **Implementation of the 2022 General Election results at the cantonal level**. All 10 cantons started with inaugural sessions of their newly elected cantonal Assemblies from 10 to 22 November 2022. Nine out 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.
3. **Executive authorities**. Seven out of ten cantons have set their parliamentary majorities and have formed governments, as follows: Bosnian Podrinje (7 December 2022), Zenica Doboj (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-Doboj, 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. Lastly, all cantons have adopted the 2023 budgets on time.

**V. Developments related to the** **Republika Srpska**

1. Following the 2022 general elections in October, the ruling coalition in the Republika Srpska formed a government swiftly. All Republika Srpska institutions – the National Assembly of the Republika Srpska, the Republika Srpska Council of Peoples, and the Government of the Republika Srpska – have been formed without delay.
2. The Government of the Republika Srpska has met regularly, holding nine sessions. The National Assembly of the Republika Srpska has held one regular, one constitutive and eight special sessions, during which 33 pieces of legislation were adopted, including legislation that violates the rulings of the Constitutional Court of Bosnia and Herzegovina on State property.
3. Another retrograde action by the Republika Srpska National Assembly was the adoption of legislation recriminalizing defamation and insult at the first reading. It is worrying that the National Assembly of the Republika Srpska adopted the legislation despite considerable criticism from the media, the opposition and national and international organizations (United Nations, OSCE, Council of Europe, European Union, Office of the High Representative). The aim of the law is to shrink the civic space and reduce public debate, and it will thus limit media freedoms and freedom of opinion and expression.
4. The Government of the Republika Srpska 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.
5. The reporting period has seen physical and verbal attacks and incidents against LGBTQI activists, human rights defenders and journalists in the Republika Srpska. What is particularly worrying is that the Republika Srpska 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 The Mayor of Banja Luka, 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.
6. The Republika Srpska authorities continued with their practice of non-compliance with the Constitutional Court of Bosnia and Herzegovina rulings, including the celebration of 9 January. More than ever, in 2023, it served as a provocation and demonstration of power by the Republika Srpska in disregard of the decisions of the Constitutional Court, which had declared the celebration unconstitutional. The Republika Srpska authorities organized the celebration on 9 January 2023 in Istočno Sarajevo (Eastern Sarajevo), close to the Inter-Entity Boundary Line, which provoked harsh reactions. A member of the Bosnia and Herzegovina presidency, Željka Cvijanović, and high-ranking representatives of Serbia also attended the celebration. The Steering Board of Ambassadors of the Peace Implementation Council condemned the celebration publicly.

*Political rhetoric*

1. In the Republika Srpska, the relationship between the ruling coalition and the opposition continued to be tense in the post-election period. The ruling coalition in the 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 Republika Srpska authorities have continued to label opposition politicians as traitors, in particular if they host meetings with ambassadors of foreign countries.
2. Throughout the reporting period, the President of the Republika Srpska and leader of the ruling Alliance of Independent Social Democrats (SNSD), Mr. Dodik, repeatedly used inflammatory rhetoric that questioned the territorial integrity, sovereignty, multi-ethnic character of Bosnia and Herzegovina and the genocide in Srebrenica.
3. On 8 January, Mr. 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 a **National Assembly of** the **Republika Srpska** session immediately. I will propose a decision to separate from Bosnia and Herzegovina the moment they touch the property”. On 9 January, Mr. 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).”
4. On 23 March, the Government of the Republika Srpska passed a decision ceasing cooperation with diplomats from the United States and the United Kingdom of Great Britain and Northern Ireland, two members of the Steering Board of the Peace Implementation Council and the Western Balkans quint. The Government called upon representatives of all Republika Srpska institutions, Republika Srpska representatives in all State-level bodies, and Republika Srpska local communities to cease cooperation with representatives of these two countries.
5. 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 under preparation and risks fostering the authoritarian tendency in the Republika Srpska.

*Relations with the Office of the High Representative*

1. In addition to the long-standing practice of the Government of the Republika Srpska of refusing to deliver documentation on government sessions to the Office of the High Representative, since October 2021, the National Assembly of the Republika Srpska has prevented staff of the Office of the High Representative from attending parliament sessions. This recently established practice 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.
2. In the Republika Srpska, the legality of the existence of the High Representative and her Office was publicly questioned numerous times, in particular by the SNSD leader, Mr. Dodik.

**VI. Public security and law enforcement, including intelligence reform**

*Law enforcement*

1. 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.
2. 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.
3. 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.
4. On 21 February, the Independent Board of Bosnia and Herzegovina launched a new public vacancy announcement for these two posts. On 28 March, the Independent Board of Bosnia and Herzegovina did not review the received applications for the two posts owing to an inconclusive discussion on an unrelated agenda item and a resulting loss of quorum.
5. 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.
6. 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.
7. In October 2022, the Una Sana Canton Police Commissioner completed his four-year mandate, and the post remains vacant. Una Sana Canton does not have a functioning Independent Board.

*Intelligence*

1. 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 and 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 Office of Foreign Assets Control of the United States Department of the Treasury 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*

1. 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.
2. In 2022, total exports and imports increased by 25.9 per cent and 32.6 per cent, respectively, as compared with the same period in 2021, while industrial production grew by 1.7 per cent. The inflation rate was 14.8 per cent. Foreign direct investments in 2022 totalled KM 1.2 billion, an increase of 16.3 per cent as compared with 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 KM 502 million, a 22.8 per cent increase as compared with2021. On 3 February 2023, the rating agency Standard and Poor’s reaffirmed the sovereign credit rating of Bosnia and Herzegovina at “B” and changed the outlook from “stable” to “positive.”
3. At the end of 2022, there were 354,323 unemployed persons, or 5.7 per cent fewer as compared with the same month in 2021. The registered unemployment rate in November was 29.5 per cent. The labour force survey-based unemployment rate for the third quarter of 2023 is approximately 14.8 per cent. Of the total number of unemployed persons (203,000), 61.9 per cent are aged 25–49 years, 19.2 per cent are aged 15–24, 18.4 per cent are aged 50–64, and 0.4 per cent are older than 65. Registered employment at the end of November 2022 totalled 846,912 persons, or a 0.1 per cent increase as compared with the previous month.
4. The number of pensioners continues to increase, totalling 710,700 persons at the end of December. The average net salary of KM 1,190 and the average pension of KM 480 remain significantly below the average price of the basket of goods of over KM 2,800 for a four-member family. This suggests that even those with steady incomes struggle to make ends meet. Pensioners are particularly vulnerable. Some 60 per cent of pensioners or approximately 426,000 persons, receive the minimum pensions of KM 242 in the Republika Srpska and KM 445 in the Federation of Bosnia and Herzegovina. They must survive on KM 8–14 a day.
5. The outflow of youth is among the most serious impacts of the multiple political, economic and social challenges that 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 past 10 years. This trend may compromise the overall economic, political and social development of Bosnia and Herzegovina.
6. 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 would likely decline almost linearly in the following 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.”
7. The Heritage Foundation, in its 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. The Corruption Perceptions Index 2022 of Transparency International ranked Bosnia and Herzegovina 110th out of 180 countries. Its analysis shows that, although Bosnia and Herzegovina ranks the same as in 2021, it declined, with a score of 34 points in 2022 compared with 35 in 2021. This is the worse score of Bosnia and Herzegovina in the past 10 years, and the country has the lowest ranking in the region.

*Fiscal issues*

1. There were no delays in foreign debt servicing and the regular monthly budget payments in the reporting period. This was due mainly 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 International Monetary Fund released no funds to Bosnia and Herzegovina in the reporting period.
2. In 2022, the Indirect Taxation Authority collected KM 9.96 billion in revenues from indirect taxes. This is a 17.5 per cent increase as compared with 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.
3. According to a report by the Ministry of Finance and Treasury, the overall public debt of Bosnia and Herzegovina at the end of 2022 amounted to KM 13.00 billion – 29.17 per cent of the gross domestic product (GDP) of Bosnia and Herzegovina. Of this amount, foreign debt is KM 9.80 billion (75.35 per cent), and domestic debt is KM 3.20 billion (24.65 per cent). The share of the Federation in the overall debt is 50.16 per cent, the share of the Republika Srpska is 48.86 per cent, and the share of the State institutions and Brčko District is 0.61 per cent and 0.37 per cent, respectively.
4. The 2023 budget was adopted, on 29 March, by the House of Representatives of the State and, on 30 March, by the House of Peoples . The Budget for State Institutions and International Obligations of Bosnia and Herzegovina for 2023 amounts to KM 2.561 billion, a 35 per cent increase as compared with 2022. The amount anticipated for financing Bosnia and Herzegovina institutions increased by 23 per cent, amounting to KM 1.315 billion. The amount anticipated for servicing foreign debt in 2023 is KM 1.245 billion, an increase of 52 per cent as compared with 2022.
5. Domestic revenues for financing the State institutions of Bosnia and Herzegovina total KM 1.173 billion (16 per cent increase as compared with 2022), of which KM 1.020 billion come from indirect tax revenues (18 per cent increase), KM 152.1 million from non-tax revenues (5 per cent increase) and KM 0.69 million from transfers from other levels (6 per cent increase). The budget shows a deficit of KM 142.0 million (129 per cent increase). It is planned to cover it mainly from transferred surplus funds from previous years for KM 141.1 million and from the sale of fixed assets (KM 0.99 million).
6. On the expenditure side, in the adopted budget, the following, inter alia, are planned: KM 791.0 million for gross salaries and allowances (25 per cent increase); KM 172.5 million for compensations of employees and members of the parliament (24 per cent increase); KM 199.5 million for material and service expenditures, rent, agreed services, etc. (4 per cent increase), KM 33.9 million for current transfers and grants (8 per cent increase) and KM 90.5 million for capital expenditures for purchasing land, buildings and equipment (86 per cent increase).
7. The 2023 budget increased by 23 per cent as compared with the 2022 adopted budget, which may be sufficient to remedy the material and social status of approximately 23,000 State employees. The chronic underfunding of State institutions in the past 10 years seriously undermines the ability of State institutions to fully meet their legal obligations, keep and recruit qualified personnel and finance vital operational and capital expenditures. The chronic lack of funds affects the defence and security sectors.
8. The Federation maintained budget stability during the reporting period owing mostly 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 KM 6.72 billion, an increase of KM 1.12 billion or 20 per cent compared with the 2022 budget.
9. In the Federation, total domestic revenue of KM 5.45 billion is projected, a 22 per cent increase compared with the 2022 budget. It includes indirect tax revenues of KM 2.07 billion (23 per cent increase), revenues from contributions to the pension fund of KM 2.68 billion (21 per cent increase) and non-tax revenues in the amount of KM 516.6 million (6 per cent increase). A new transfer on the revenue side of the 2023 budget is a support package by the European Union to Bosnia and Herzegovina of KM 90.5 million, which is aimed at mitigating the negative socioeconomic impact of the energy crisis.
10. In the Federation, borrowing and receipt from financial assets in the 2023 budget for KM 905 million are planned, a 2 per cent decrease compared with the 2022 budget. This is to be covered by short-term domestic borrowing (KM 360.0 million), long-term domestic borrowing (KM 330.0 million), loans received through the State (KM 115.0 million), and receipts from financial assets (KM 100.0 million). In addition, a KM 200 million surplus from the previous period and KM 169.7 million in earmarked transferred funds for the construction of highways and expressways are planned on the revenue side of the budget.
11. On the expenditure side, KM 306.22 million is planned in the Federation budget for gross salaries and allowances (13 per cent increase), KM 33.3 million for employee contributions (15 per cent increase), KM 131.52 million for expenditures for material and service (1 per cent increase), and KM 4.577 billion for current transfers (22 per cent 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 for KM 325.1 million are planned (2 per cent increase). The Federation debt payment in the adopted budget totals KM 1.122 billion (32 per cent increase), of which foreign debt totals KM 729.5 million (56 per cent increase).
12. On 16 February 2023, the House of Peoples of the Federation, in a short procedure, adopted 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. The Law will come into force on 1 April 2023. It could have serious fiscal consequences on the adopted 2023 budget since the new financial obligation exceeds available funds (KM 160 million) in the adopted budget by over 70 per cent.
13. The stability of budget payments in the Republika Srpska was also primarily due to the sustained growth in indirect tax revenues and continued domestic borrowing. **On November 2, 2022, the National Assembly of** the **Republika Srpska adopted the 2023 budget. It amounts to KM 5.4 billion, an increase of 35 per cent as compared with the 2022 budget. The Republika Srpska budget for 2023 has been projected to mitigate the negative effects of inflation[[4]](#footnote-4)[1] on citizens and the economy. Almost half the budget funds are planned for pensions and civil servants’ salaries, KM 1.545 billion and KM 1.132 billion, respectively. The Government of the Republika Srpska planned a 2023 budget deficit of KM 261.2 million (1.7 per cent of the estimated Republika Srpska GDP for 2023). The Government of** the **Republika Srpska planned long-term borrowing of KM 1.1 billion and KM 300 short-term borrowing, while a debt service for KM 922 million is anticipated.**
14. To date, the Government of the Republika Srpska has serviced its financial obligations regularly. The Republika Srpska continues to operate in a fragile financial environment, financing almost a quarter of its regular budgetary needs through borrowing. The entity’s authorities continued to borrow from the local capital market to cover the regular budgetary needs as planned in the 2023 budget. According to theMinistry of Finance of the Republika Srpska, the entity’s total debt as at the end of 2022 amounted to KM 6.4 billion, 46 per cent of the estimated Republika Srpska 2022 GDP.

*Specific international obligations*

1. The Ministerial Council of the Energy Community, at its annual meeting, held on 15 December 2022, did not extend the punitive measures, which were a response to various serious and persistent breaches of the Treaty, to Bosnia and Herzegovina. The Council offered another opportunity to remedy violations and called upon Bosnia and Herzegovina to step up its efforts, in cooperation with the secretariat of the Council, to fully implement the Treaty in 2023. Bosnia and Herzegovina has been under sanctions intermittently since 2015 owing 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.
2. 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 pending. 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 the Republika Srpska submitted its nominees. To date, the Republika Srpska has taken no action to that end. An additional delay in these appointments could complicate decision-making on issues of relevance for the company and electricity transmission in general. The company was established by the Bosnia and Herzegovina Law Establishing the Electricity Transmission Company, adopted by the Parliamentary Assembly of Bosnia and Herzegovina in 2004 and 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*

1. 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 owing to its total dependence on unreliable entity financial transfers. Over the years, decreasing transfers have 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 to the General Framework Agreement for Peace. It is encouraging that Edin Forto, the new Minister of Communications and Transport of Bosnia and Herzegovina, has declared the development of railway infrastructure as one of his priorities.

**VIII. Developments related to annex 7 to the General Framework Agreement for Peace, on return of refugees and displaced persons**

1. 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 due not only 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 have adapted to their living situation in their society of exile.
2. Several return-related incidents occurred during the reporting period, including repeated attacks on a Bosniak café owner in the centre of Bratunac in December 2022 and, on 23 March, a case of brutal beating and robbing of an elderly Bosniak couple near Višegrad. Although not high in number and perhaps not always motivated by inter-ethnic hatred, these cases impact these vulnerable minority communities, in particular the Bosniak community in the Republika Srpska.
3. Instances of glorification of war criminals add to a sense of insecurity and open the way to further confrontation. A memorial plaque in honour of the 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 Second World War 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 centre of Bratunac, which was removed after the local authorities’ commendable and swift reaction. However, a memorial house in Višegrad commemorating the victims of a live torching from 1992 was damaged by unknown perpetrators in March.
4. 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 Second World War memorial near Bihać (March 2023) and, most recently, the attempted burglary of the Orthodox church in Stolac, 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.
5. 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 the 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.
6. Other inter-ethnic incidents include an assault on parents of Serbian children from Belgrade who were participating in a children’s 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 became 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 the 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.
7. Another example is the Chetnik gatherings in Višegrad, which occurred again on 6 January 2023, despite a court verdict in December 2022 convicting this group of inciting ethnic hatred during their prior meetings there. The group, sentenced to five months of prison, was supported by a public rally in Trebinje in January. Instead of reconsidering behaviour perceived as intimidating, they received encouragement to continue with the same practice.
8. Meanwhile, the situation remains unchanged when it comes to accommodating the socioeconomic needs of returnee and minority communities. Bosniak representatives in the 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 the 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.
9. The local court in Srebrenica passed a verdict in December 2022 in which it acknowledged discrimination against Bosniak students at the school in Konjević Polje. The case is now pending a second instance ruling. However, even prior rulings of higher-level courts (a decision of the Constitutional Court of June 2021 and a decision of the Supreme Court of the Republika Srpska of 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**

1. On 23 March, the National Assembly of the Republika Srpska adopted at first reading the Draft Law Amending the Criminal Code of the Republika Srpska, in which it introduces new criminal offences, such as one in the category of crime against freedom and rights of citizens, the “unauthorized publication and display of other people’s files, portraits and recordings,” as well as criminal offences against honour and reputation, namely “‘insult, defamation and disclosure of personal and family circumstances.”
2. The wording of the new criminal offences 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 relating to freedom of media, freedom of expression and the activities of the political opposition in the Republika Srpska and the rest of the country. This represents a retrograde initiative since defamation was decriminalized nationwide in 2002.
3. The public broadcasting system, consisting of three public broadcasting services (Bosnia and Herzegovina Radio-Television, Radio-Television of the Federation of Bosnia and Herzegovina, and Radio-Television Republika Srpska), 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 to date taken no steps to implement its November 2022 proclamation to reform the Public Broadcasting Service.
4. The Communications Regulatory Agency is finalizing the transition from analogue to digital terrestrial broadcasting, reporting that MUX D, operated by a commercial network, is on track, with digital coverage ranging from 50 to 80 per cent. The conditions for turning off analogue terrestrial signals have been met. Commercial television stations have signed contracts for access to 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. However, 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**

1. EUFOR-Althea is vital in safeguarding peace and security in Bosnia and Herzegovina, enabling my office and other international organizations to fulfil our respective mandates. The presence of EUFOR-Althea in Bosnia and Herzegovina remains indispensable.
2. The unanimous approval by the Security Council to extend EUFOR-Althea is of the utmost importance given the sensitive political situation in Bosnia and Herzegovina.
3. Visibility and mobility of the EUFOR troops deployed and the availability of the intermediate reserve forces for EUFOR-Althea are essential to react to potential, and possibly even simultaneous, deterioration in the security situation in Kosovo and Bosnia and Herzegovina.
4. While the EUFOR 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 has been significantly reduced as a result of defence reforms and the establishment of a single Armed Forces of Bosnia and Herzegovina. This enabled the country to take the lead in preserving peace and security.
5. Bosnia and Herzegovina needs strong, united and well-equipped Armed Forces. The Armed Forces of Bosnia and Herzegovina are an important success story as a multi-ethnic State institution. The increase in the State budget in 2023 for the defence sector is a positive development. However, most growth is related to salaries, and insufficient resources were allocated to modernize the military equipment.
6. Defence is indisputably a State-level competence, and the Office of the High Representative remains committed to supporting the Ministry of Defense.

**XI. Future of the Office of the High Representative**

1. While the Office of the High Representative has faced substantial reductions to budgets and staff over the past few years, its remaining tasks have not decreased commensurately. The current annual operating budget of the organization remains at €5.3 million. Collecting budgeted funds is still challenging, with€1 million remaining uncollected in the current operating period. As previously noted, the Russian Federation suspended its contribution to the budget of the Office of the High Representative in February 2022. The Office of the High Representative employs 75 national staff and 20 international staff, of whom 15 are seconded in Sarajevo and its field offices.
2. To achieve progress on the 5 plus 2 agenda, a robust and efficient Office of the High Representative is indispensable. The capacity to fulfil 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 the High Representative.

**XII. Reporting schedule**

1. I submit the present report in accordance with the requirement in 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.

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1. PM+ 4 SDP, 1 NiP, 1 NS, 1 SBiH, 1 NES, 1 BHI and 1 PDA. [↑](#footnote-ref-1)
2. The International Criminal Tribunal for the Former Yugoslavia 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. [↑](#footnote-ref-2)
3. Ajša Softić (Bosniak), Branimir Orašanin (Serb) and Mirko Miličević (Croat). [↑](#footnote-ref-3)
4. [1] The Republika Srpska Agency for Statistics reported an annual inflation rate of 14 per cent in 2022. [↑](#footnote-ref-4)