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**STATEMENT BY MR. ALEXANDER LUKASHEVICH,
PERMANENT REPRESENTATIVE OF THE RUSSIAN FEDERATION,
AT THE 1277th MEETING OF THE OSCE PERMANENT COUNCIL**

30 July 2020

On the audit of the financial activities of the OSCE in 2019

Mr. Chairperson,

It was with great interest that we familiarized ourselves with the reports for the previous year by the OSCE External Auditor, the Office of Internal Oversight and the Audit Committee. We value highly the contribution made by these monitoring bodies to the strengthening of budgetary discipline and the enhancement of effectiveness and transparency in the Organization's work. We expect the recommendations drawn up and issued by them to the OSCE executive structures and field operations to be duly implemented, with the existing mandates being taken into consideration in that process.

We express our gratitude to the Court of Auditors of Spain, whose services as the OSCE External Auditor concluded this year. We note that, upon completion of its review, the Court issued an unqualified audit opinion, which attests to the Organization's financial activities being in line with the existing rules and procedures and also with the International Public Sector Accounting Standards (IPSAS).

We take note of the significant increase in the amount of outstanding assessed contributions by participating States to the OSCE budget in 2019. The Russian Federation invariably honours fully its financial obligations vis-à-vis the Organization. We exhort the participating States that have not yet done so to pay, in full and unconditionally, their amounts outstanding. It is unacceptable, in our view, to try to link such payments to the issue of reforming the Scales of Contributions. Such an approach undermines the OSCE's financial stability and weakens its ability to implement its approved mandates.

We share the External Auditor's opinion concerning the need to set up a reliable mechanism to prevent the financing of administrative support for extrabudgetary projects from the Unified Budget's limited resources. We expect the work on deploying, for that purpose, a system for the sharing of internal common costs by the executive structures to be completed as soon as possible.

We agree with the arguments that it would be expedient to have the Financial Statements incorporate data on the expenditure incurred by all institutions and field operations in promoting the principles of gender equality between women and men. Such transparency would be highly useful in terms of determining whether the level of funding allocated for the implementation of that mandate is adequate, and also for assessing the practical value of the outputs obtained from such spending. This is especially relevant in a

context where certain countries are trying to impose a budgetary policy of zero nominal growth, which makes the task of striving for cost-effectiveness and cost savings in the “gender dimension” all the more pressing.

We take note of the External Auditor’s recommendation to “align” the mandate of the OSCE Special Monitoring Mission to Ukraine with the calendar year, and also to increase to six months the length of the mandate of the OSCE Observer Mission at the Russian checkpoints of Gukovo and Donetsk on the Russian-Ukrainian border. We recall that, already in 2019, the Slovak Chairmanship itself put forward a proposal to extend the Observer Mission’s mandate to six months. Russia did not raise any objections, but one country did not support that proposal and so, ultimately, no consensus came about.

We welcome the Audit Committee’s report and also the recommendations it has made. It is with satisfaction that we note its positive assessment of the strengthening of internal control measures at the Organization. In our view, it is important that all institutions and field operations should be accountable to the Secretary General for matters relating to their financial performance.

We have observed that some of the Audit Committee’s proposals, including those for strengthening the internal oversight and ethics functions at the OSCE, have financial implications. We believe that putting these proposals into practice will be difficult in conditions of zero nominal budget growth.

We take note of the report by the Office of Internal Oversight, in particular what it has established about the concept of “best value for money” being promoted in the OSCE’s procurement operations when it comes to high-value tenders, instead of the principle applied previously of choosing the “cheapest technically compliant offer”. In our opinion, adopting such an approach to procurement would lead to a rise in expenditure and prevent the economical use of the available means in a context of limited budgetary resources. We expect the Office of Internal Oversight to analyse further, in its future reports, the supposed benefits and advantages of such a practice from the point of view of cost-effectiveness.

We were alarmed by a whole series of recommendations made by the Office of Internal Oversight with regard to developing a general youth policy at the OSCE, given that there is no approved mandate to that effect from the participating States. These recommendations were addressed to the Secretary General, even though the latter does not have the mandate to determine the Organization’s programme of work. We consider it to be unacceptable to develop policies and indeed to carry out any activities that have not been agreed on by the decision-making bodies.

Thank you for your attention.