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**STATEMENT BY
MR. MAXIM BUYAKEVICH, DEPUTY PERMANENT REPRESENTATIVE OF
THE RUSSIAN FEDERATION, AT THE 1436th MEETING OF THE
OSCE PERMANENT COUNCIL**

27 July 2023

On the OSCE's financial reporting for 2022

Mr. Chairperson,

We have carefully studied the reports by the OSCE External Auditor and the OSCE Audit Committee and should like to make a number of comments within the framework of a single statement.

With regard to the document prepared by the External Auditor, we take note of the fact that an unmodified opinion was issued following the audit.

We note the recommendation addressed to the Secretary General to initiate a consideration of amendments to the OSCE Financial Regulations with a view to providing the heads of the Organization's executive structures with greater flexibility in the management of budgetary resources. We are willing to discuss that recommendation, if necessary. However, we believe that the "reform" process should not be restricted solely to a proposal in which by no means all the participating States are interested. After all, it would be no less important, in our opinion, to not only endow the Secretary General with greater powers as regards the use of money from the Unified Budget, but also to strengthen the Permanent Council's control over the Organization's extrabudgetary activities, not least with a view to aligning these with existing mandates. We are convinced that it is by now high time to plug the existing loopholes and rectify imbalances in this area. We will discuss all the aforementioned topics only as part of a single "package".

The observations and recommendations by the Audit Committee with regard to the inadequacy of the established cost recovery rates at the OSCE – that is, the extent to which Unified Budget resources used to support extrabudgetary programmes are recouped – appear to us to be most timely in this context. The Organization charges donors just 7 per cent and, what is more, only for indirect costs, which is not in line with working practices in the United Nations system in terms of either the level or the scope of reimbursement. As a result, an appreciable share of the costs incurred in supporting extrabudgetary activities, including staff costs, is funded from the Unified Budget. Moreover, the volume of such activities is constantly growing, which means that the burden on the Unified Budget is also growing. In view of this, it is not surprising that the Secretary General so often complains to the Permanent Council about a lack of resources. Basically, resources are lacking because of the funding of extrabudgetary programmes. We expect

the Secretariat to take appropriate measures to rectify the situation and to report to the Permanent Council in the very near future on the progress of such efforts.

Finally, we should like to comment on the draft decision prepared by the Chairmanship on the OSCE Financial Statements for the previous year. Bearing in mind that the Organization's expenditures during the period in question were incurred without an approved Unified Budget or an approved budget for the closure of the OSCE Special Monitoring Mission to Ukraine (SMM), we have profound misgivings about the legitimacy of those expenditures. Provisional allotments cannot substitute for a fully fledged mandate in the form of Permanent Council decisions on budget proposals, as stipulated by Article II of the Financial Regulations.

Moreover, we categorically reject the way in which SMM expenditure for April 2022, when the Mission was arbitrarily transferred to a so-called "administrative mode", are accounted for in the Financial Statements as obligations payable from assessed contributions. As we have repeatedly emphasized, the Permanent Council has not authorized anyone to incur such expenditures. And it is those who took and supported these unlawful steps who should reimburse the Organization for them.

We are of the view that responsibility for it being impossible to adopt the Financial Statements rests wholly and squarely with the former Polish Chairmanship and the Western countries that supported it. They, and no one else, derailed the budgetary process in 2022 and refused to agree on allocations for the Organization with account taken of the positions of all the participating States. This was an attempt to ignore the consensus rule. A completely failed attempt, it must be said.

In its observations the Audit Committee recognizes that the lack of budgetary decisions over the past year was, *inter alia*, due to "discussions hav[ing] been suspended". We stress that the refusal to continue the consultations was by no means at our prompting.

The situation today is the result of the West's political arrogance and double standards. We trust that the negative consequences of this situation will prove to be a good lesson for the future.

Thank you for your attention.