2020 OSCE

Financial Report and Financial Statements and the Report of the External Auditor

Organization for Security and Co-operation in Europe

CONTENTS

Letter of Transmittal to the Chairperson of the Permanent Council to the OSCE from the Secretary General

Letter of Transmittal to the Chairperson of the Permanent Council of the OSCE from the Secretary General

Organization for Security and Co-operation in Europe
The Secretariat

20 September 2021

Madame,

Pursuant to Financial Regulation 7.04, I have the honour to submit the Financial Report and Financial Statements of the Organization for Security and Co-operation in Europe for the year ended 31 December 2020 and the Report of the External Auditor thereon for your consideration and approval.

Yours sincerely,

Signed, Luca Fratini

pp

Helga Maria Schmid
Secretary General

Letter of Transmittal to the First President of the Court of Auditors from the Secretary General

Letter of Transmittal to the First President of the Court of Auditors from the Secretary General

Organization for Security and Co-operation in Europe
The Secretariat

26 March 2021

Sir,

Pursuant to Financial Regulation 7.04, I have the honour to submit the Financial Report and Financial Statements of the Organization for Security and Co-operation in Europe for the year ended 31 December 2020.

Yours sincerely,

for Helga Maria Schmid
Secretary General

M. Pierre Moscovici
Premier President de la Cour des Comptes

13 rue Cambon
75100 Paris
FRANCE

Financial Report of the Secretary General

Financial Report of the Secretary General for the year ended 31 December 2020

INTRODUCTION

1. The Secretary General of the Organization for Security and Co-operation in Europe hereby submits the Financial Report, the Financial Statements, and the Report of the External Auditor, with his unqualified opinion, for the year ended 31 December 2020, in accordance with Financial Regulation 7.04.

2. The Financial Statements are prepared on an accrual basis in accordance with International Public Sector Accounting Standards (IPSAS) and the OSCE's Financial Regulations.

3. The OSCE was established with the Helsinki Final Act in 1975 as the Conference on Security and Co-operation in Europe (CSCE). Subsequently, in 1994, the CSCE was renamed the Organization for Security and Co-operation in Europe. The OSCE is a regional organization in the sense of Chapter VIII of the United Nations Charter and is an observer in the United Nations General Assembly.

4. The OSCE is a forum for political dialogue on a wide range of security issues and a platform for joint action to improve the lives of individuals and communities. Through its comprehensive approach to security that encompasses the politico-military, economic and environmental, and human dimensions and its inclusive membership, the OSCE helps bridge differences and build trust between States by co-operating on conflict prevention, crisis management and post-conflict rehabilitation. With 57 participating States in North America, Europe, and Asia, the OSCE is the world's largest regional security organization.

5. This report focuses on the financial position and performance of the OSCE, together with its expenditure against the Unified Budget. The 2020 Annual Report of the Secretary General, published separately, provides a comprehensive overview of the activities of the OSCE, also including activities that are outside the scope of the Financial Statements.

6. An organisational chart of OSCE Structures and Institutions as at 31 December 2020 is included as Annex 1 to the Financial Report.

SUMMARY OF THE YEAR 2020

7. The year 2020 was dominated by the impact of COVID-19, which caused a significant reduction in overall expenditure, and altered the nature of that expenditure, in addition to impacting the means of delivery of the outputs of the OSCE. Notwithstanding these impacts, the financial position remains sound, with significant liquid assets in the form of cash and short-term investments. No participating State has given any indication of difficulty meeting its financial obligations to the OSCE and early indications are that payments are being made at a satisfactory rate. Although extra-budgetary pledges and revenue were both noticeably reduced in 2020 compared to 2019, activity and expenditure also fell. In consequence, management has no reason to consider that the OSCE is other than a going concern, and the Financial Statements have been prepared on that basis.

8. The Special Monitoring Mission to Ukraine (SMM) also displays reductions in expenditure, although they are less marked than across the OSCE overall, reflecting the fact that it continues to implement the full spectrum of its mandated tasks despite the operational difficulties caused by COVID-19.

9. As always, the largest single element of expenditure by the OSCE was for human resources. This is magnified in 2020 by the decline in other areas of expenditure, which caused reported staff costs as a proportion of the total to rise to 68% from the 62% recorded in 2019.

10. In-kind contributions of both goods and services, in particular seconded staff, continue to be critical to the delivery of mandated outcomes, especially by the SMM. If the Organization had been required to provide these from its own resources, it is estimated that additional budgetary resources of EUR 72.0 million (28%) would have been required during 2020 (EUR 81.7 million or an additional 32% in 2019) to support the level of mandated activity undertaken.

FINANCIAL STATEMENTS ANALYSIS

11. Due to the extraordinary circumstances of 2020, direct comparisons of financial information with prior years is difficult and the drivers of the differences are not always clear. For this reason, variances between years should be treated with caution. Key financial information is presented in the table below and analysed beneath.

STATEMENT OF FINANCIAL POSITION EUR'000	2020	2019	Change	Change %
Cash, bank and investments	134,744	109,065	25,678	23%
Assessed Contributions receivable	5,295	1,158	4,137	357%
CURRENT ASSETS	164,050	137,908	26,142	19%
Non-current assets	17,823	15,974	1,849	12%
TOTAL ASSETS	**181,873**	**153,882**	**27,991**	**18%**
CURRENT LIABILITIES	129,411	112,545	16,867	15%
Cash Surplus for the year	4,040	2,778	1,262	45%
TOTAL LIABILITIES	**136,886**	**119,003**	**17,883**	**15%**
TOTAL NET ASSETS	***44,987***	***34,879***	***10,108***	***29%***

STATEMENT OF FINANCIAL PERFORMANCE EUR'000	2020	2019	Change	Change %
Assessed Contributions	227,218	213,201	14,017	7%
Extra-budgetary contributions	30,512	43,344	(12,832)	(30%)
Contributions in kind	72,042	81,685	(9,643)	(12%)
TOTAL REVENUE	**333,631**	**348,685**	**(15,054)**	**(4%)**
Staff costs	216,008	220,409	(4,401)	(2%)
Travel	7,988	24,722	(16,734)	(68%)
Services and office costs	32,130	41,538	(9,408)	(23%)
Total Expenses	**319,341**	**356,072**	**(36,730)**	**(10%)**
SURPLUS/(DEFICIT) FOR THE YEAR	***14,290***	***(7,387)***	***21,677***	***293%***

Assets

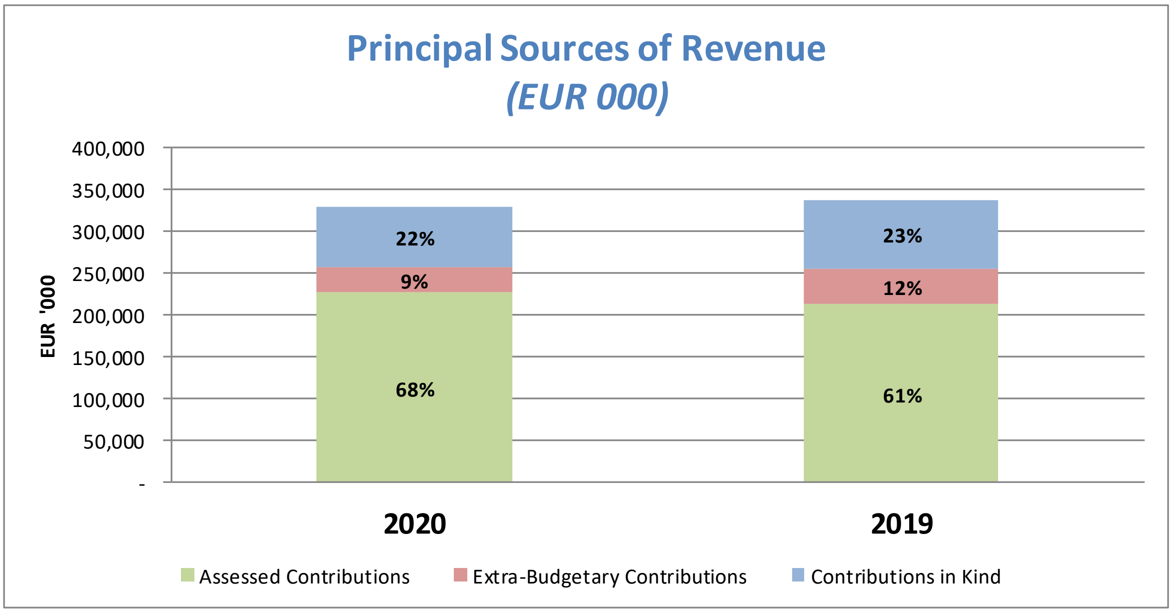
12. The total net assets of the OSCE have increased by EUR 10.1 million to EUR 45.0 million (2019, EUR 34.9 million), driven by a significant operating surplus of EUR 14.3 million (2019, a deficit of EUR 7.4 million), of which EUR 4.1 million (2019, EUR 2.8 million) is cash surplus held for distribution to participating States or such other disposition as may be decided by the Permanent Council in accordance with Financial Regulation 7.07(b). Despite a significant increase in Assessed Contributions receivable, relating to the SMM, the reduced cash outflows consequent upon COVID-19 have increased the current assets of the Organization by EUR 26.1 million (19%) to EUR 164.0 million (2019, EUR 137.9 million). Of this balance, 82% is in the form of cash on hand and in bank accounts and short-term investments, which together exceed the total current liabilities of the Organization. Overall, current assets are 1.2 times the current liabilities (2019, also 1.2 times) and total assets remain at 1.3 times total liabilities.

Liabilities

13. The increase in current liabilities of EUR 16.9 million to EUR 129.4 million (2019, 112.5 million) is due to a complex range of factors. A significant factor is increased carry-over of leave caused by the COVID-19 pandemic reducing the opportunities for staff and mission members to utilise their entitlements during the year (EUR 4.3 million). Extra-budgetary activity accounts for a further EUR 9.9 million of the increase in current liabilities, in the form of unspent pledge balances awaiting return to donors (EUR 5.8 million) and contributions received that are not yet used (EUR 4.1 million).

Revenue

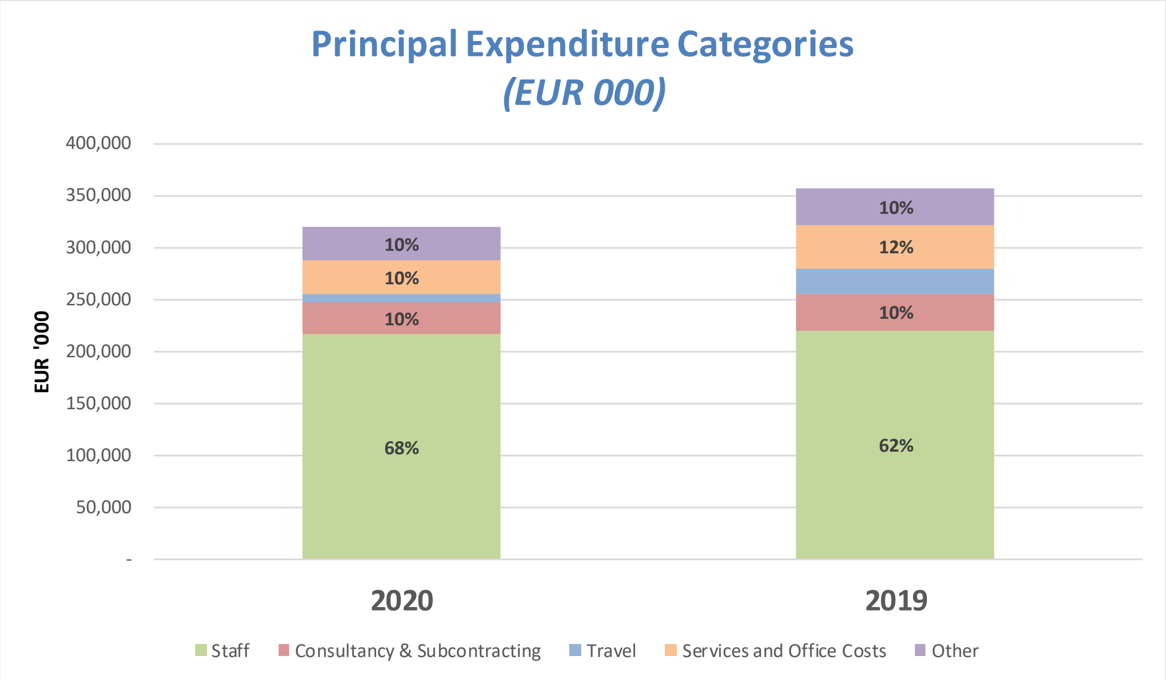
14. Overall, total revenue of the OSCE decreased to EUR 333.6 million (2019, EUR 348.7 million), due to reductions in both extra-budgetary contributions and contributions in kind. However, around two-thirds of the reported reduction in the latter (EUR 6.0 million of the total EUR 9.6 million) is due to a change in the method of estimating the value to the Organization of personnel seconded by participating States. Once the effects of this change are removed, the overall reduction is EUR 9.0 million, of which EUR 4.1 million is due to reduced reallocation of cash surpluses to fund extraordinary expenditures.



Expenses

15. The overall reported 2.0% reduction in staff costs is largely due to a change in the method of estimating the value of personnel seconded by participating States. When the effects of this change are removed, the changes from minus EUR 4.4 million (3.8%) to plus EUR 1.6 million (0.7%).

16. The pandemic-related restrictions on most global travel reduced the ability of the Organization to run conventional in-person conferences and training events, which has its most noticeable effect in the reduction of travel costs to 3% of total expense in 2020 compared to the 7% recorded in 2019. Conversely, the Organization invested significantly in technology to enable remote working and conferencing, although this is masked by other reductions in expenses. The overall reduction in programmatic expenditure has led to a substantial operating surplus for the year, some of which was utilized for capital projects, as agreed by the participating States.



Surplus/Deficit

17. Due in large part to the reduction in expenditure caused by the COVID-19 pandemic affecting much of the year, overall the OSCE is reporting an operating surplus for the year 2020. Although ExB showed a small deficit (EUR 0.5 million, compared to EUR 1.7 million in 2019), it generated a positive cash flow, especially when investments are taken into account. Overall, the Organization's surplus is matched by an increase in total cash and investments.

UNIFIED BUDGET PERFORMANCE

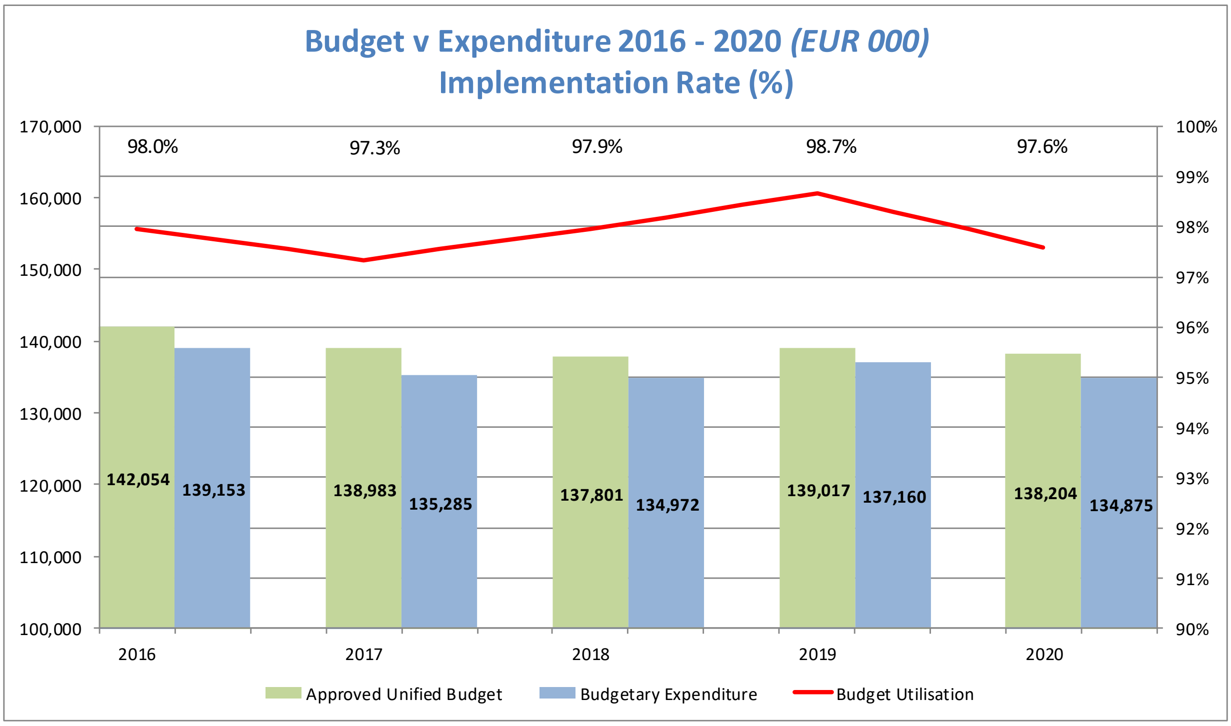
18. The Unified Budget and the expenditure against it are presented on a modified cash basis, which records expenses when they are incurred, whereas expense in the Statement of Financial Performance is recognised as goods or services are delivered in accordance with the accruals basis of IPSAS. The Statement of Comparison of Budget and Actual Amounts (Statement V) compares amounts on the budgetary basis and Note 8 provides detailed reconciliations between the two. In addition, the two accounting frameworks use different systems of cost classification to reflect the differing needs of the users.

19. The approved 2020 Unified Budget amounted to EUR 138 million (PC.DEC/1369 dated 28 May 2020). The Unified Budget was approved with a five-month delay, which, coupled with the restrictions imposed by the COVID-19 pandemic, impeded the implementation of the planned programmatic activities. It is worth noting that late approval of the budget hampers the OSCE's ability to commit resources in a planned manner, diminishes our ability to mitigate the emerging issues such as the ongoing worldwide health crisis, and prevents the organization from achieving additional efficiencies. The trend of delayed budgets is damaging the reputation of the OSCE, rendering the Organization less reliable in terms of delivery of the programmatic activities or a less attractive contracting partner, thus leading to a loss of credibility, trust, and legitimacy.

20. While the overall financial utilization rate of 98% is lower than in the previous years, it is higher than expected due to the delayed budget approval and the impact of the COVID-19 pandemic. The achieved utilization rate is a reflection of the increased efforts by Programmes to sustain their activities following the late approval of the Unified Budget as well as to adapt rapidly to the new means of co-operation with

the host countries and the beneficiaries, in light of the global pandemic. In addition, the implementation rate was further bolstered owing to the two additional decisions adopted by the Permanent Council in 2020, thus approving the funding of the critical capital investments through reprioritization of the identified 2020 UB underspend. The first Decision established and funded the OSCE Oracle E-Business Suite (EBS) 12.2 Upgrade Project with EUR 950,000, of which EUR 779,000 from the within the 2020 Unified Budget (PC.DEC/1379). The second Decision (PC.DEC/1388) approved the use of EUR 2,938,000 for contributing to the financing of the following capital requirements:

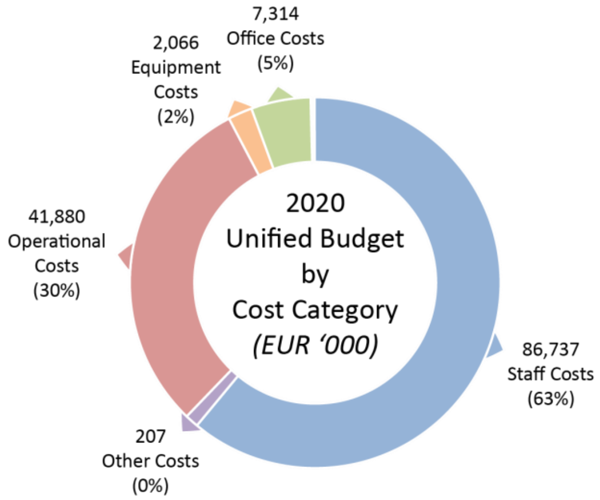
(i) replacement of ICT core infrastructure equipment (EUR 2,057,000);
(ii) replacement of the DocIn/DelWeb platform (EUR 154,000);
(iii) replacement of ICT client equipment (EUR 307,000);
(iv) upgrade of the main firewall cluster and VPN (EUR 104,500);
(v) development of Hofburg infrastructure for blended meetings (EUR 230,000); and
(vi) replacement of Hofburg entrance security equipment (EUR 85,500).

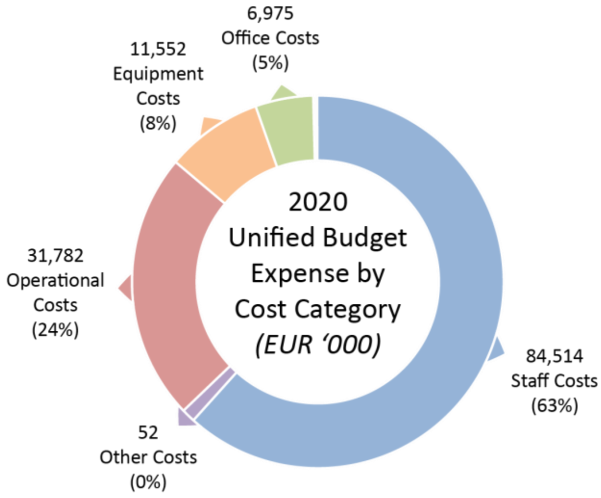


21. In accordance with the approved activities, the largest proportion of the total UB expenditure, EUR 74.4 million, or 55.2%, is allocated to field operations, EUR 60.5 million, or 44.8%, to the Secretariat and Institutions. It is worth noting that the Secretariat conducts extensive programmatic activities in addition to providing administrative services and policy guidance to the entire OSCE.

22. The distribution of the budget by main cost category (below) indicates that the Staff Costs represent the largest category with 62.8% of the UB resources, followed by the Operational Costs, the second largest, with a share of 30.3%. For 2020, the expenditure by main cost category reflects a proportion of 62.7% for Staff Costs and 23.6% for Operational Costs, whereas the increase in the Equipment Costs share is due to the PC-approved funding of the urgent capital investments, thus reprioritizing the 2020 UB underspend.

The Unified Budget: Budget and Expenditure by Cost Category





Cash Surplus/Deficit

23. The 2020 Unified Budget cash surplus shows an increase compared to 2019. This is largely due to COVID-19 depressing expenditure levels, although this was mitigated by significant levels of prepayment and by the PC authorising budgetary transfers (PC.DEC/1379 and 1385) and the roll-over of 2020 budget into 2021 (PC.DEC/1388). Without these two factors, the Cash Surplus would have been considerably higher. Even after these mitigating actions, it is higher than any of the previous five years, as can be seen below. The years 2015 and 2016 show the combined effects of the past practice of downward revision of the budget at the year end and the consequently lower declared cash surpluses, to enable like-for-like comparison.

EUR'000	2015	2016	2017	2018	2019	2020
Year-end revision	2,820	2,893	-	-	-	-
Cash Surplus	392	148	2,949	3,255	2,778	4,040
Total Surplus	***3,212***	***3,041***	***2,949***	***3,255***	***2,778***	***4,040***

24. There are three main differences between the cash surplus and the overall operating surplus/deficit:

(i) The cash surplus is based on the budgetary surplus adjusted for outstanding assessed contributions, which are treated differently in the Financial Statements;

(ii) The cash surplus is computed on the basis of the budgetary framework, rather than the IPSAS framework used to prepare the Financial Statements, which creates further differences.

(iii) The cash surplus relates purely to the Unified Budget (UB), which generated an operating surplus of EUR 9.0 million.

These differences are summarised below:

EUR'000	2015	2016	2017	2018	2019	2020
Cash Surplus	392	148	2,949	3,255	2,778	4,040
Movement in Unified Budget Assessed Contributions Receivable	(81)	196	757	(48)	(394)	(1,434)
Budgetary Surplus	**311**	**344**	**3,706**	**3,207**	**2,384**	**2,606**
UB IPSAS Adjustments	1,602	(69)	2,514	327	(1,626)	6,431
UB IPSAS Surplus/(Deficit)	**1,913**	**275**	**6,220**	**3,534**	**758**	**9,037**
SMM Surplus/(Deficit)	9,765	5,085	3,136	(7,036)	(12,073)	6,708
SPF Surplus/(Deficit)	(1,325)	(1,424)	556	(2)	3,263	(1,759)
ExB Surplus/(Deficit)	1,713	(5,720)	5,760	(10,584)	665	304
IPSAS Operating Surplus/(Deficit)	***12,066***	***(1,784)***	***15,672***	***(14,088)***	***(7,387)***	***14,290***

SEGMENTAL BREAKDOWN

25. The OSCE has three principal budgetary components: the Unified Budget (UB), the Special Monitoring Mission to Ukraine (SMM), and projects financed through Extra-Budgetary (ExB) contributions accepted under the terms of Article IX of the Financial Regulations. The Permanent Council has established other Special Purpose Funds (SPF) to meet various objectives, the most significant of which from an operational perspective are SMM and the Deployment of OSCE Observers to Two Russian Checkpoints on the Russian-Ukrainian Border. The Permanent Council approved SMM's budget to be funded by a combination of assessments on all participating States and voluntary contributions. These two elements are disclosed separately in the segmental analysis in the financial statements (as parts of Special Purpose and Extra-Budgetary Funds respectively), but are removed from those Funds and combined in the following table, which shows the principal elements of the financial statements pertinent to each part of the OSCE's budgetary structure. A more detailed analysis of SMM's financial position and performance can be found in Note 8.3 to the Financial Statements.

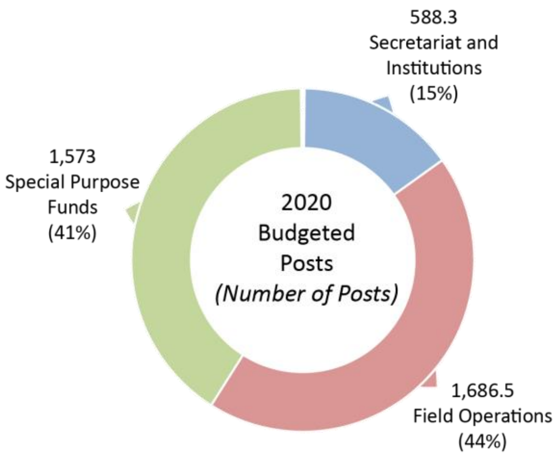
STATEMENT OF FINANCIAL POSITION EUR'000	UB	SMM	SPF	ExB	Total
Current Assets	48,527	26,476	2,180	86,867	164,050
Non-current assets	7,595	9,126	342	760	17,823
TOTAL ASSETS	**56,122**	**35,602**	**2,522**	**87,627**	**181,873**
Current Liabilities	32,459	10,681	125	86,146	129,411
Non-current Liabilities	7,067	289	8	110	7,475
TOTAL LIABILITIES	**39,527**	**10,970**	**133**	**86,256**	**136,886**
TOTAL NET ASSETS	***16,595***	***24,632***	***2,389***	***1,371***	***44,987***

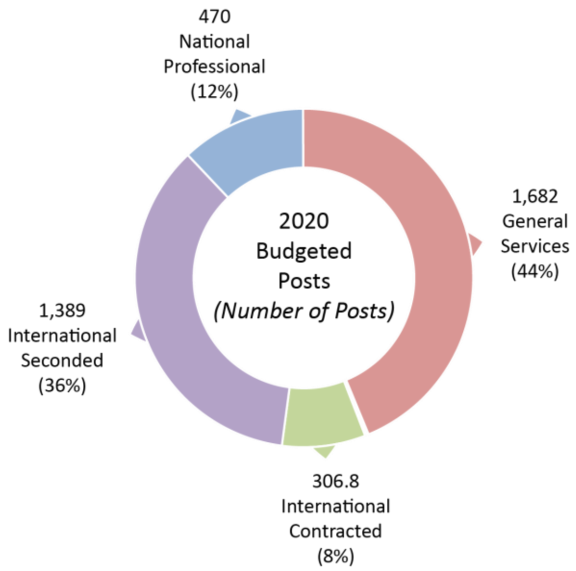
STATEMENT OF FINANCIAL PERFORMANCE EUR'000					
Revenue	166,416	146,252	2,549	18,414	333,631
Expenses	157,379	139,543	4,309	18,110	319,341
SURPLUS/(DEFICIT) FOR THE YEAR	***9,037***	***6,709***	***(1,760)***	***304***	***14,290***

STAFF COSTS

26. Although staff costs account for the most significant share of the OSCE expenditure, the organisation continues to operate with lower budgets for staff than required. In preparing standard staff costs that are used to translate the post table into budget estimates, vacancy rates are used. These rates are based on the assumption that a post would remain empty for a defined period of time over the fiscal year. In some cases, vacancy rates used to generate reductions in budget levels, which are based on averages, result in staff cost budgets that are not distributed in the same proportions as actual vacancies, resulting in misalignments between budgets and actual costs. Furthermore, budgetary constraints can result in an inability to recruit short-term staff to cover important gaps.

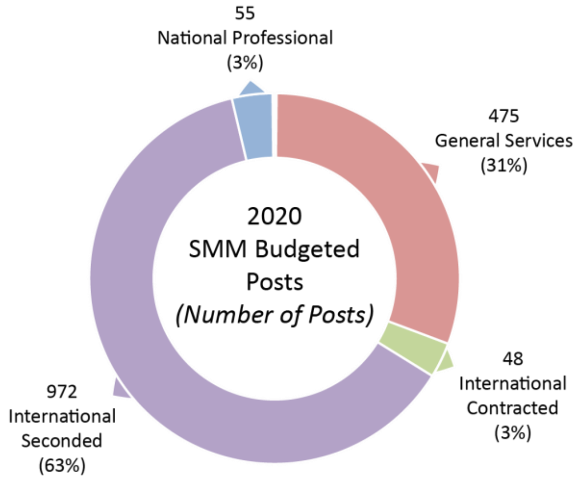
27. The distribution of Unified Budget posts and staff in post by fund is shown in Annex 2. The following chart indicates the number of budgeted posts by post category and the split between Secretariat and Institutions, Field Operations and Special Purpose Funds in 2020.





28. The above charts show that 44% of the total budgeted posts are at the General Services level and 85% are in the Field Operations and Special Purpose Funds; and that 41% of posts are in Special Purpose Funds, overwhelmingly SMM. Furthermore, 36% are seconded posts for which the Organization does not pay a salary. In other words, if it weren't for these seconded posts, 452% more International Contracted posts would need to be included in the Unified Budget and SMM to maintain the current level of mandated activities. SMM is particularly dependent on seconded personnel, who account for 63% of total budgeted posts, as illustrated below.

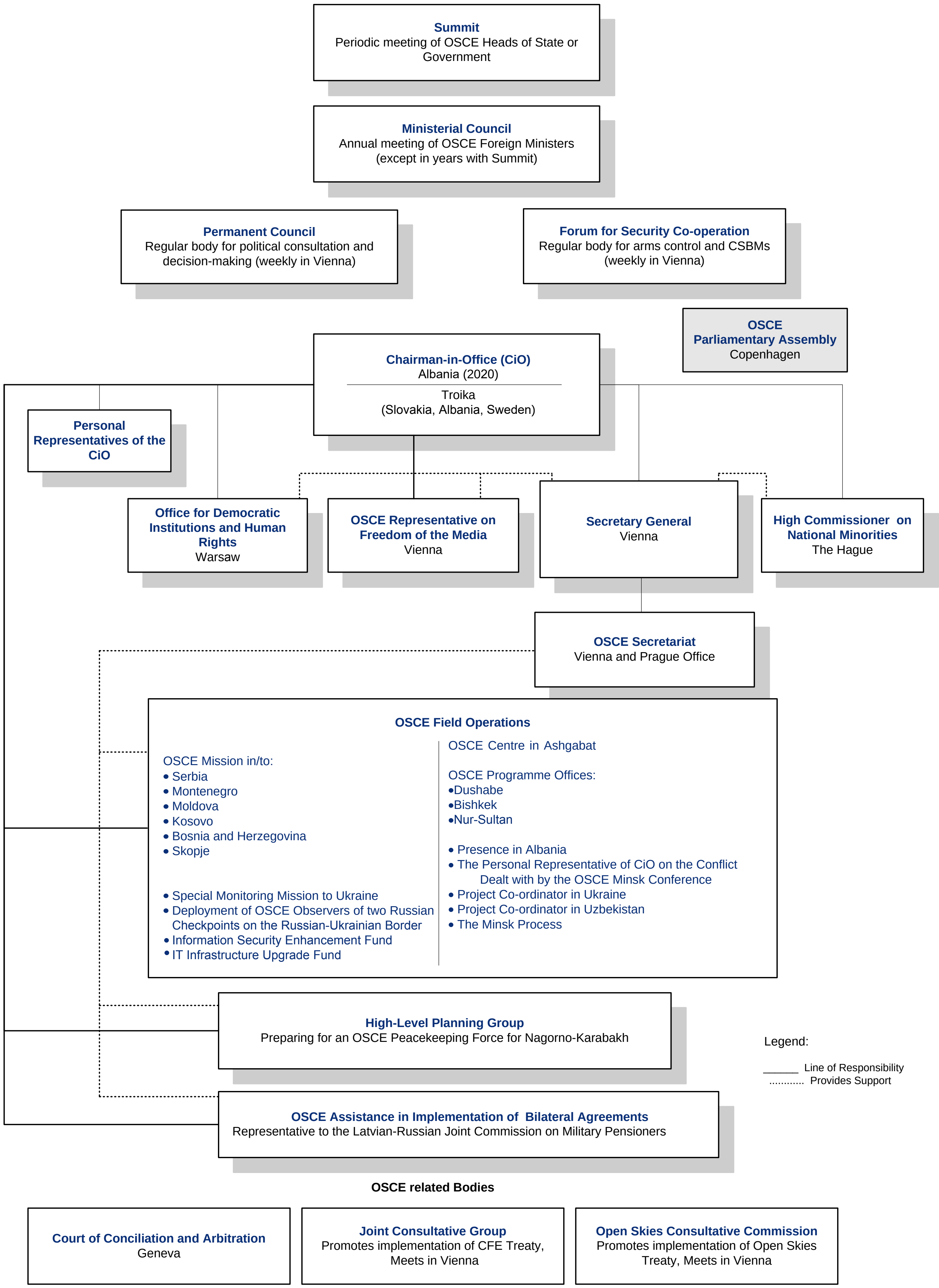
29. The below chart illustrates the budgeted staff of SMM, demonstrating that 63% of posts are intended to be filled by personnel seconded by participating States. Were it not for Monitoring Officers seconded to the Organization, SMM would be unable to fulfil its mandate



CONCLUSION

30. Overall, the Financial Statements reflect the fact that 2020 was an atypical year for the OSCE, as it was for most of the world. The replacement of many conferences and other programmatic interventions with virtual events has created significant variances both in expenditure against budget and in 2020 expenses as compared with 2019. The degree to which this will be repeated in 2021 depends to a large extent on how quickly and comprehensively the economies in which OSCE operates return to normal. However, timing differences between the charging of expenditure against the budget and recognition of the equivalent expense under IPSAS are likely to result in further variances between the two and it is likely that the IPSAS surplus will be considerably lower or even turn to deficit as the 2020 surplus is consumed.

OSCE Structures and Institutions
As at 31 December 2020



Statement of Responsibilities of the Secretary General and Conformity of the Financial Statements

Statement of the Responsibilities of the Secretary General and Conformity of the Financial Statements with the Financial Regulations of the OSCE and with International Public Sector Accounting Standards

RESPONSIBILITIES OF THE SECRETARY GENERAL

1. The Secretary General, assisted by the heads of mission and heads of institution, is required by Financial Regulation 7.01 to maintain such accounting records for all Funds operated by the OSCE as are necessary according to International Public Sector Accounting Standards, and to prepare annual financial statements.

2. Financial Regulation 7.02 requires that the financial statements shall contain: a statement of financial position; a statement of financial performance; a cash flow statement; a statement of changes in net assets; a statement of comparison of budget and actuals; and segment reporting by Fund; accompanied by such other information as may be requested by the Permanent Council or deemed necessary or useful by the Secretary General.

3. The Secretary General is further required to establish and issue Financial and Administrative Instructions, in consultation with the heads of institution where required, to provide for the appropriate implementation of the Financial Regulations as approved by the Permanent Council, including effective financial administration and the exercise of economy. Mechanisms for internal oversight and financial control are required to support the Secretary General's management of the Organization's resources. The Secretary General and the heads of institution, to the extent that their institutions are concerned, are responsible and accountable for the proper application of the Financial Regulations.

STATEMENT OF CONFORMITY

4. I hereby confirm that the financial statements and supporting notes were properly prepared in accordance with the Financial Regulations and applicable International Public Sector Accounting Standards.

Helga Maria Schmid
Secretary General

Gelfiya Shchienko
Director of Management and Finance

30 June 2021

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AUDITED FINANCIAL STATEMENTS

Cour des comptes
FRANCE

Le Premier président

2101379

Le - 9 SEP. 2021

Madame la Secrétaire générale,

Au terme de cette première année de notre mandat d'Auditeur externe de l'Organisation pour la sécurité et la coopération en Europe (OSCE), je vous prie de bien vouloir trouver ci-joint notre rapport annuel définitif portant sur les résultats de cinq missions d'audits distinctes :

- Audit sur les états financiers de l'OSCE pour l'exercice clos le 31 décembre 2020,
- Audit de performance sur la gestion des ressources humaines de l'Organisation,
- Synthèse des observations issues de l'audit de la Mission de l'OSCE au Kosovo,
- Synthèse des observations issues de l'audit du Bureau de programme de l'OSCE à Douchanbé,
- Suivi des recommandations formulées par l'Auditeur externe précédent.

Les audits réalisés au Kosovo et au Tadjikistan font par ailleurs l'objet de lettres d'observations de gestion plus précises adressées aux responsables concernés.

Je vous prie d'agréer, Madame la Secrétaire générale, l'expression de ma considération la plus distinguée.

Fidèlement,

Pierre MOSCOVICI

Madame Helga Maria Schmid
Secrétaire générale
Organisation pour la sécurité et la
coopération en Europe (OSCE)
Wallnerstrasse 6
A-1010 Vienne
AUTRICHE

Cour des comptes
FRANCE

The First President

Paris, 30 June 2021

To Ms Helga Maria Schmid
Secretary General
Organization for Security and Co-operation in Europe

AUDIT OPINION

Opinion

We have audited the Financial Statements of the Organization for Security and Co-operation in Europe (OSCE) for the 12 months period ended 31 December 2020. These Financial Statements include a Statement of Financial Position as at 31 December 2020, a Statement of Financial Performance, a Statement of Cash Flows, a Statement of Changes in Net Liabilities/Equity and a Statement of Comparison of Budget and Actual Amounts, and notes including a summary of the accounting policies and other information.

In our opinion, the financial statements present fairly the financial position of the Organization for Security and Co-operation in Europe as at 31 December 2020, as well as the financial performance, the cash flows and the changes in net liabilities/equity for the 12 months period ended 31 December 2020, in conformity with the International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISA) and in accordance with Article 8 of the Financial Regulations of the Organization for Security and Co-operation in Europe. These standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the financial statements are free from material misstatements. As required by the Charter of Ethics of the *Cour des comptes*, we guarantee the independence, the fairness, the neutrality, the integrity and the professional discretion of the auditors. Furthermore, we also fulfilled our other ethical obligations in compliance with the Code of Ethics of the International Organization of Supreme Audit Institutions (INTOSAI). The responsibilities of the External Auditor are more extensively described in the section "Auditor's Responsibilities for the Audit of the Financial Statements".

We believe that the audit evidence collected is sufficient and appropriate to constitute a reasonable basis for our opinion.

.../

Management's responsibility for the Financial Statements

By virtue of Article 7.01 of the Financial Regulations of the Organization for Security and Co-operation in Europe, the Secretary General of the Organization is responsible for preparing and presenting the financial statements. These statements are in conformity with the International Public Sector Accounting Standards. This responsibility includes the design, implementation and monitoring of internal control procedures to ensure the preparation and the fair presentation of financial statements, free from significant misstatements, resulting either from frauds or error. This responsibility also includes the determination of fair accounting estimates adapted to the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The goal of the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

An audit therefore consists in implementing audit procedures in order to collect audit evidence regarding the amounts and the information presented in the financial statements. The External Auditor takes into account the internal control in effect in the entity, relative to the establishment and the preparation of the financial statements, so as to define appropriate audit procedures in the circumstances, and not with the aim of expressing an opinion on the effectiveness of this control. The choice of the audit procedures is based on the External Auditor's professional judgment, as is the case for the risk evaluation of the financial statements, for the assessment of the appropriateness of accounting policies and of the accounting estimates, and for the overall presentation of the Financial Statements.

Pierre MOSCOVICI

Financial Statements

I. Statement of Financial Position

Total OSCE

As at 31 December 2020

EUR '000	Note	TOTAL OSCE 2020	TOTAL OSCE 2019
ASSETS			
Current Assets			
Cash and Cash Equivalents	3.1	91,059	95,094
Investments	3.2	43,685	13,971
Contributions Receivable	3.3	18,861	16,897
Accounts Receivable	3.4	3,545	3,877
Prepayments	3.5	4,821	6,578
Inventory	3.6	2,037	1,474
Other Current Assets	3.7	42	17
		164,050	**137,908**
Non-Current Assets			
Property, Plant and Equipment	3.8	15,456	13,877
Intangible Assets	3.9	2,286	1,573
Other Non-Current Assets	3.7	81	524
		17,823	**15,974**
Total Assets		**181,873**	**153,882**
LIABILITIES			
Current Liabilities			
Accounts Payable	4.1	2,856	3,621
Accruals	4.2	8,834	8,489
Deferred Revenue	4.3	8,951	9,295
Conditional ExB Contributions	4.4	75,543	71,429
Funds Held for Third Parties	4.5	6,941	5,312
Employee Benefits Current	4.6	8,172	3,865
Cash Surplus Current	4.8	2,778	1,231
Provisions	4.9	14,304	8,512
Other Current Liabilities	4.10	1,032	791
		129,411	**112,545**
Non-Current Liabilities			
Employee Benefits Non-Current	4.6	3,434	3,680
Cash Surplus Non-Current	4.8	4,040	2,778
Other Non-Current Liabilities	4.10	0	0
		7,475	**6,458**
Total Liabilities		**136,886**	**119,003**
Net Assets		**44,987**	**34,879**
NET ASSETS/EQUITY			
Cash Surplus Withheld	5.1	68	208
Revolving Fund	5.2	2,710	2,710
Contingency Fund	5.2	2,180	2,180
Other Reserves	5.3	(2,201)	(2,201)
Accumulated Surplus/(Deficit)	5.4	42,231	31,982
Total Net Assets/Equity		**44,987**	**34,879**

(Signed)

Helga Maria Schmid
Secretary General
30 Jun 2021

(Signed)

Gelfiya Shchienko
Director Management and Finance

II. Statement of Financial Performance

Total OSCE

For the Year Ended 31 December 2020

EUR '000		TOTAL OSCE	
	Note	**2020**	**2019**
REVENUE			***(Restated)***
Assessed Contributions	6.1	227,218	213,201
Extra-Budgetary Contributions	6.2	30,512	43,344
Finance Revenue	6.3	178	340
Contributions In-Kind	6.4	72,042	81,685
Revenue from Exchange Transactions	6.5	45	303
Foreign Exchange Gains/(Losses)	6.6	(1,875)	(390)
Other Revenue	6.7	5,511	10,202
Total Revenue		**333,631**	**348,685**
EXPENSES			
Staff Costs	7.1	216,008	220,409
Consultancy and Subcontracting	7.2	31,196	34,851
Travel Expenses	7.3	7,988	24,722
Services and Office Costs	7.4	32,130	41,538
Consumables and Supplies	7.5	7,316	7,080
Depreciation and Amortisation	7.6	7,867	9,814
Equipment Expenses	7.7	4,192	6,652
Other Operating Expenses	7.8	12,644	11,006
Total Expenses		**319,341**	**356,072**
Surplus/(Deficit) for the Period	8.1	**14,290**	**(7,387)**

(Signed)

Helga Maria Schmid
Secretary General
30 Jun 2021

(Signed)

Gelfiya Shchienko
Director Management and Finance

III. Cash Flow Statement

Total OSCE

For the Year Ended 31 December 2020

EUR '000		TOTAL OSCE	
	Note	**2020**	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the Period	8.1	14,290	(7,387)
Non-Cash Movements			
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	6.6	988	(309)
Deduction of Depreciation, Amortisation and Impairments	7.6,3.10	7,867	9,814
Deduction of Loss on Disposal of PP&E	6.5	86	111
Deduction of Non-Cash Changes in Net Assets	5.3	(1)	105
(Increase) / Decrease in Contributions Receivable	3.3	(1,964)	(2,914)
(Increase) / Decrease in Accounts Receivable	3.4	331	(413)
(Increase) / Decrease in Prepayments	3.5	1,755	(805)
(Increase) / Decrease in Inventory	3.6	(562)	51
(Increase) / Decrease in Other Current/Non-Current Assets	3.7	419	316
Increase /(Decrease) in Accounts Payable	4.1	(765)	(301)
Increase /(Decrease) in Accruals	4.2	346	1,382
Increase /(Decrease) in Deferred Revenue	4.3	(344)	3,017
Increase /(Decrease) in Conditional ExB Contributions	4.4	4,114	5,590
Increase /(Decrease) in Funds Held for Third Parties	4.5	1,629	(8,707)
Increase /(Decrease) in Employee Benefits	4.6	4,061	(122)
Increase /(Decrease) in Cash Surplus Payable	4.8	2,809	(2,194)
Increase /(Decrease) in Provisions	4.9	5,793	(239)
Increase /(Decrease) in Other Liabilities	4.10	240	189
Net Cash Flows from Operating Activities		**41,091**	**(2,815)**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) / Sale of Investments	3.2	(29,714)	(4,839)
(Addition) / Disposal of PP&E and Intangibles	3.8,3.9	(10,244)	(2,265)
Net Cash Flows from Investing Activities		**(39,958)**	**(7,103)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Credits for Cash Surplus Withheld	5.1	(140)	(44)
Allocation of Current Year Cash Surplus	4.8	(4,040)	(2,778)
Refund of Unspent Extra-budgetary Contributions	5.4	-	0
Net Cash Flows from Financing Activities		**(4,180)**	**(2,823)**
Net Increase/(Decrease) in Cash and Cash Equivalents	3.1	**(3,047)**	**(12,741)**
Cash and Cash Equivalents at Beginning of Period	3.1	**95,094**	**107,526**
Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents	6.6	**(988)**	**309**
Cash and Cash Equivalents at End of Period		**91,059**	**95,094**

(Signed)

Helga Maria Schmid
Secretary General
30 Jun 2021

(Signed)

Gelfiya Shchienko
Director Management and Finance

IV. Statement of Changes in Net Assets

Total OSCE

For the Year Ended 31 December 2020

EUR '000	Note	Cash Surplus Withheld	Revolving Fund	Contingency Fund	Other Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
Balance as at 31 December 2019		**208**	**2,710**	**2,180**	**(2,201)**	**31,982**	**34,879**
Changes in Net Assets for 2020							
Increase in Cash Surplus Withheld	5.1	(140)					**(140)**
Allocation of Current Year Cash Surplus	4.8.2					(4,040)	**(4,040)**
Actuarial Gains/(Losses)	4.6				(1)		**(1)**
Surplus/(Deficit) for the Period	8.1					14,290	**14,290**
Balance as at 31 December 2020		**67**	**2,710**	**2,180**	**(2,201)**	**42,231**	**44,987**

(Signed)

Helga Maria Schmid
Secretary General
30 Jun 2021

(Signed)

Gelfiya Shchienko
Director Management and Finance

V. Statement of Comparison of Budget and Actual Amounts

Total PC Approved Budgets [1]

For the Year Ended 31 December 2020

EUR '000	Note	Approved Budget	PC Authorized Transfers	Revised Budget	Actuals	Variance
Unified Budget Funds						
The Secretariat		38,212	0	38,212	37,211	1,001
Office for Democratic Institutions and Human Rights		16,160	0	16,160	15,581	579
High Commissioner on National Minorities		3,504	0	3,504	3,301	203
Representative on Freedom of the Media		1,609	0	1,609	1,534	75
Total Secretariat and Institutions		**59,485**	**0**	**59,485**	**57,626**	**1,858**
Augmentations		2,896	0	2,896	2,853	43
South-Eastern Europe		47,043	0	47,043	46,667	375
Eastern Europe		5,927	0	5,927	5,718	209
Caucasus		2,339	0	2,339	1,937	402
Central Asia		20,516	0	20,516	20,073	443
Total Field Operations		**78,720**	**0**	**78,720**	**77,248**	**1,471**
Total Unified Budget	**8.2.1**	**138,204**	**0**	**138,204**	**134,875**	**3,329**
Special Purpose Funds						
Special Monitoring Mission to Ukraine		90,012	0	90,012	83,628	6,384
Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		1,406	0	1,406	1,489	(83)
Information Security Enhancement		30	0	30	375	(346)
IT Infrastructure Upgrade Fund		2,470	0	2,470	1,676	793
Total Special Purpose Funds	**8.2.2**	**93,918**	**0**	**93,918**	**87,170**	**6,749**
PC.DEC/1288, PC.DEC/1240 and PC.DEC/1177		849	0	849	0	849
Total PC.DEC Approved Funds	**4.3**	**849**	**0**	**849**	**0**	**849**
Total PC Approved Budgets		**232,971**	**0**	**232,971**	**222,044**	**10,927**

[1] The budget basis and the accounting basis differ. Actuals are reported on this statement on a budget basis and include solely Funds whose budgets are approved by the Permanent Council. Refer to Note 8.2 for more information.

(Signed)

Helga Maria Schmid
Secretary General
30 Jun 2021

(Signed)

Gelfiya Shchienko
Director Management and Finance

Notes to the Financial Statements

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NOTE 1: REPORTING STRUCTURE

1.1 – Reporting Entity

The OSCE traces its origins to the early 1970s, to the Helsinki Final Act (1975) and the creation of the Conference on Security and Co-operation in Europe (CSCE). In 1994, the CSCE, having evolved well beyond its initial role, was renamed the Organization for Security and Co-operation in Europe. Now with 57 participating States in Europe, North America and Asia, the OSCE is the world's largest regional security organization, working to ensure peace and stability for more than a billion people. The OSCE is a regional organization in the sense of Chapter VIII of the United Nations Charter and is an observer in the United Nations General Assembly.

The OSCE operates in three dimensions:

Politico-military dimension – includes mechanisms for conflict prevention and resolution, and military confidence-building measures.

Economic and environmental dimension – activities aimed at counteracting threats and challenges to security and stability caused by economic and environmental factors.

Human dimension – set of norms and activities related to human rights and the rule of law.

With its Secretariat, specialized Institutions, expert units and network of Field Operations, the OSCE addresses a range of issues that have an impact on common security, including arms control, terrorism, good governance, energy security, human trafficking, democratization, media freedom and minority rights.

OSCE's Secretariat is based in Vienna. Most of the OSCE's activities are implemented in the OSCE's Field Operations in South-Eastern Europe, Eastern Europe, Caucasus and Central Asia. These operations are established at the invitation of the respective host countries, and their mandates are agreed by consensus by the participating States.

1.2 - Fund Accounting and Segment Reporting

The basic financial governing document of OSCE is the Financial Regulations approved by the Permanent Council on 27 June 1996 (DOC.PC/1/96) and subsequently revised. The latest revision is PC.DEC/1272 dated 23 November 2017. In accordance with these Regulations, the OSCE operates a system of fund accounting and the audited Financial Statements present the consolidated financial results of Budgetary Funds approved under PC.DEC/1326 dated 11 April 2019, as well as Special Purpose Funds and Extra-Budgetary Funds.

For purposes of the presentation and approval of the 2020 Unified Budget, Funds were grouped under Secretariat and Institutions; and Field Operations, with the latter, in turn, being grouped into Regions. This presentation is also followed in the segmental reports annexed to the 2020 Financial Statements. In addition, the segmental information is presented based on the main sources of financing of the Organization (Unified Budget Funds, Special Purpose Funds, Extra-Budgetary Funds and other Extra-Budgetary projects undertaken in accordance with Article IX of the Financial Regulations and not specifically approved by the Permanent Council).

The Funds listed below were operational in 2020. The letters indicated in brackets correspond to the Reporting Segment in Annex I to the Financial Statements. These annexes are not separately audited and do not fall within the scope of the audit opinion.

Secretariat and Institutions (A)

These Funds are financed through the Standard Scale of Contributions for 2019 (PC.DEC/1325) on a provisional basis, pending agreement of Scales for 2020:

The Secretariat

Office for Democratic Institutions and Human Rights

High Commissioner on National Minorities

Representative on Freedom of the Media

Field Operations (B)

These Funds are financed through the Field Operations Scale of Contributions for 2019 (PC.DEC/1325) on a provisional basis, pending agreement of Scales for 2020:

South-Eastern Europe (C)	**Eastern Europe (D)**
Augmentations [1] Mission in Kosovo Mission to Bosnia and Herzegovina Mission to Serbia Presence in Albania Mission to Skopje Mission to Montenegro	Mission to Moldova Project Co-ordinator in Ukraine Representative to the Latvian-Russian Joint Commission on Military Pensioners
Caucasus (E)	**Central Asia (F)**
High Level Planning Group The Minsk Process Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference Office in Yerevan [2]	Programme Office in Nur-Sultan Centre in Ashgabat Programme Office in Bishkek Project Co-ordinator in Uzbekistan Programme Office in Dushanbe

Closed Funds (B)

Missions and Field Operations whose mandate has expired are grouped under Closed Funds and included in Field Operations:

Action Against Terrorism Assistance Group to Chechnya Mission to Croatia Office in Zagreb Mission to Estonia Representative to the Estonian Commission on Military Pensioners Mission to Georgia End of Mandate Procedure Mission to Georgia Project Co-ordinator in Baku	Mission to Latvia Representative to the Joint Committee on the Skrunda Radar Station Missions of Long Duration to Kosovo, Sandjak and Vojvodina Sanctions Assistance Missions Office in Minsk Expert Mission to Ukraine

[1] The Augmentations Fund, including posts based in the Secretariat and in the Office for Democratic Institutions and Human Rights, was established on a provisional basis under PC.DEC/827 dated 21 December 2007 and is financed on the basis of the Field Operations Scale of Contributions. Its continued existence was approved as part of the Unified Budget under PC.DEC/1369 dated 28 May 2020.

[2] The Office in Yerevan discontinued operations and closed on 31 August 2017. It is still presented under the Caucasus Group due to residual transactions.

Special Purpose Funds (G)

- The Information Security Enhancement Fund was established by PC.DEC/1247 dated 6 April 2017 to finance the strengthening of OSCE information security and was allocated total funding of EUR 800 thousand. The Fund initially covered an implementation period extending to 24 months, with the balance carried forward from one year to the next, and was extended until 6 October 2020 by PC.DEC/1324 dated 4 April 2019. The validity of the Fund was further extended until 6 July 2021 by PC.DEC/1374 dated 30 July 2020.
- The IT Infrastructure Upgrade Fund was established by PC.DEC/1322 dated 28 March 2019 for the financing of the upgrade to the latest version of the ICT core platform technologies and the re-architecture and deployment of a secure OSCE IT infrastructure and was allocated EUR 3,560 thousand. This amount was supplemented by PC.DEC/1345 to finance necessary 2019 measures aimed at mitigating the risk of vendor support expiration for the ICT Core Platform Infrastructure in the amount of EUR 630 thousand, taking the total to EUR 4,190 thousand. The Fund covers the implementation period, with the balance carried forward from one year to the next.
- The Special Monitoring Mission to Ukraine, originally established pursuant to PC.DEC/1117 dated 21 March 2014, is financed through provisional assessed contributions on the basis of the Field Operations Scale of Contributions set out in PC.DEC/1293/Corr.1 dated 17 May 2018, and through extra-budgetary contributions. Its mandate does not correspond with the calendar year; therefore the figures reported in the 2020 Financial Statements represent part of the mandate ending 31 March 2020 under PC.DEC/1323 dated 29 March 2019, and part of the mandate ending 31 March 2021 under PC.DEC/1366 of 19 March 2020.
- The Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border, established by PC.DEC/1130 dated 24 July 2014, deploys observers to the two Russian checkpoints of Donetsk and Gukovo. The Border Observer Mission operates under a mandate whose duration is decided by the Permanent Council. The figures reported in the 2020 Financial Statements represent part of the mandate ending 31 January 2020 under PC.DEC/1344 dated 5 September 2019, the whole of the mandates under PC.DEC/1359 dated 19 December 2019 and PC.DEC/1368 dated 14 May 2020, and part of the mandate ending 31 January 2021 under PC.DEC/1375 dated 3 September 2020. During 2019 the Mission was financed from the 2018 cash surplus.

Extra-Budgetary Funds (H)

The following Extra-Budgetary Funds were established by Permanent Council decisions and are shown individually in the segment reports:

The Fund to support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina (PC.DEC/101 dated 11 January 1996);

The Fund for Activities Related to Economic Aspects of Security (PC.DEC/150 dated 19 December 1996);

The Funds for Activities Related to Special Monitoring Mission to Ukraine (PC.DEC/1117 dated 21 March 2014).

The following Extra-Budgetary Funds, established by Permanent Council decisions are grouped together and shown as Other PC Established Funds in the segment reports:

The Fund to foster the integration of recently admitted participating States (PC.DEC/23 dated 2 March 1995);

The Fund related to the Stability Pact for South Eastern Europe (PC.DEC/306 dated 1 July 1999);

The Fund for Activities Related to the Removal and Destruction of Russian Ammunition and Armaments from Moldova (PC.DEC/329 dated 9 December 1999);

The Fund for Activities related to the reduction of Military Forces and equipment from Georgia (293rd Reinforced Meeting of the Permanent Council on Georgia dated 17 July 2000);

The Bishkek International Conference on Enhancing Security and Stability in Central Asia: Strengthening Comprehensive Efforts to Counter Terrorism (PC.DEC/440 dated 11 October 2001);

The Partnership Fund (PC.DEC/812 dated 30 November 2007).

Extra-budgetary contributions accepted under Article IX of the Financial Regulations are not individually approved by the Permanent Council and are shown under a separate Extra-Budgetary grouping of projects called Other Activities and Special Projects. Indirect Common Costs levied on these projects and certain third-party payments as described in note 2.18 are also disclosed separately. Expenses of other activities and special projects are shown inclusive of Indirect Common Costs, and an eliminations column eliminates these internal revenues and expenses to reconcile to the totals in the statement of financial performance.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

2.1 – Basis of Presentation

2.1.1 – Applicable Accounting Standards

These Financial Statements are prepared on an accrual basis, in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) and the OSCE Financial Regulations, and using the historic cost convention. Where IPSAS is silent concerning any particular matter, the appropriate International Financial Reporting Standard (IFRS) or International Accounting Standard (IAS) is applied.

2.1.2 – Reporting Year

These Financial Statements cover the calendar year ended 31 December 2020. The reporting period coincides with the calendar year.

2.1.3 – Going Concern basis

The Financial Satements are prepared on the basis that the OSCE is a going concern. Although the COVID-19 pandemic has had a significant impact on public sector finances, there is no indication that this will materially affect the viability of the Organization.

2.1.4 – Currency

The Financial Statements are presented in Euro which is also the functional currency of the Organization. The figures are presented rounded to the nearest thousand Euros and to the nearest one-tenth of a percent, which may result in totals that differ slightly from the sum of their constituents.

Foreign currency transactions are translated into Euros using the prevailing United Nations Operational Rates of Exchange (UNORE). The UNORE are set on the first day of each month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies. OSCE uses the 1 December rate or mid-month rate, as applicable, to value assets and liabilities at the end of the reporting period. Gains and losses arising from transactions and translation are recorded as currency exchange adjustments.

2.2 – Prior Year Restatements, Changes in Estimates and Presentation Differences

2.2.1 – Restatement – Indirect Common Costs

The presentation of Indirect Common Costs (ICC) in the 2019 Financial Statements correctly represented both revenue and expenditure at the total level. However, a review of this presentation concluded that the disclosure could be improved to identify more accurately the breakdown of revenue between categories and to improve the clarity with which both revenue and expenditure are recognised between "Other Activities and Special Projects" and the "Indirect Common Costs" fund in the segmental reporting. The presentation has been changed so that the total extra-budgetary revenue recognized for "Other Activities and Special Projects" is shown in one column, rather than being split between that column and ICC; the total of all costs charged to such projects, including ICC charges is identified in the one column; ICC charges recognised in "Other Activities and Special Projects" are then also recognised as revenue in the ICC column; an eliminations column is introduced to remove the double-counting inherent in this approach and ensure that the totals remain correct. There is no impact on the Statement of Financial Position or the Fund surpluses and deficits for the year 2019.

2.2.2 – Change in Estimates – Seconded Personnel

An estimated value to the OSCE of the services of personnel seconded free of charge is recognised in these financial statements, offset by an equal amount of revenue. The estimated value of seconded personnel is based on a calculation of the additional cost of employing international contracted staff and mission members in their place, and does not reflect the actual costs to the States seconding them. A review of the assumptions underpinning this calculation has been undertaken, which concluded that the average length of service of staff used as the comparator has reduced and the assumed salary increment has therefore been changed from step 7 to step 3, with a consequent reduction in estimated value. The effects are disclosed in Notes 6.4 (Contributions in Kind) and 7.1 (Staff Costs).

2.3 – Financial Instruments

Financial instruments consist of cash, bank accounts, short-term deposits, accounts receivable and accounts payable. The OSCE does not engage in transactions involving hedging or derivative financial instruments.

Upon initial recognition, all financial instruments are measured at fair value and classified as Loans and Receivables. When subsequently measured, these are measured at amortized cost less impairment losses, if any.

Given the short-term nature of these financial instruments, the effect of discounting is immaterial.

2.4 - Uncollected Assessed Contributions

Based on each participating State's historical pattern of payment, where necessary an allowance for doubtful debts is established in accordance with *IPSAS 41 - Financial Instruments*, to bring the balance of Assessed Contributions Receivable in line with its fair value. The allowance is calculated as 100% of the outstanding receivables from participating States whose arrears equalled or exceeded the amount of contributions due for the preceding two full years.

This allowance does not relieve the participating States in arrears from their obligations to the OSCE.

2.5 - Inventories

Inventories consist of two classes:

- Consumables and supplies held for use by the Organization to support the delivery of its programmatic objectives and

- Inventories held for distribution to beneficiaries at no or nominal charge.

Consumables and supplies are expensed upon purchase. Where a material stock is purchased and is in store at year end for future consumption, it is stated at the lower of cost or net realisable value, subject to capitalization thresholds of EUR 150 per item and EUR 50 thousand per class and location. Cost is determined using a weighted average cost formula. Net realisable value is the estimated selling price, less any costs of disposal.

Inventories held for distribution to beneficiaries at no or nominal charge are stated at the lower of either cost or current replacement cost, subject to a capitalization threshold of EUR 150 per item. These items are uniquely identifiable and cost is therefore determined using the specific identification method. Current replacement cost is that which the OSCE would incur to acquire the asset as at the reporting date.

Write downs from cost to current replacement cost or net realizable value are recognized in the Statement of Financial Performance as incurred.

2.6 - Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any recognized impairment losses. The threshold for capitalization of property, plant and equipment is EUR 1 thousand. Subsequent costs that are included in an asset's carrying amount include freight and installation. Repairs and maintenance costs are charged to the Statement of Financial Performance during the period in which they are incurred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset, and are included in the Statement of Financial Performance. Depreciation is charged using the straight-line method and the residual values are estimated at zero.

The estimated useful lives for the different property, plant and equipment classes are shown in the following table. For leasehold improvements, the shorter of the useful life or the lease agreement applies.

Asset Class	Useful Life (Years)
ICT Equipment	3 to 10
Vehicles, including Unmanned Aerial Vehicles	5 to 12
Household and Office Equipment	3 to 10
Security and Safety Equipment	3 to 25
Other Equipment	3 to 10
Leasehold Improvements	7 to 35

2.6.1 – Leasehold Improvements

Leasehold improvements refer to improvements made by the OSCE to the buildings occupied by the Secretariat and Institutions. Leasehold improvements in all other Executive Structures are expensed immediately due to the short term nature of their mandates. These improvements revert to the lessor at the expiration of the lease or right to use agreement and include building adjustments, fixtures, technical, communication and security infrastructure. The threshold for capitalization of leasehold improvements is established at EUR 50 thousand.

2.6.2 – Buildings

Buildings are not capitalized as assets because, although the OSCE has been given the right to use them, there is no full transfer of the risks and rewards incidental to ownership. The buildings affected by this decision are those used by the Secretariat and Institutions in the following locations:

- The Secretariat, Wallnerstrasse 6-6a and part of Wallnerstrasse 8, 1010 Vienna, Austria;
- The Secretariat (Prague Office), Náměstí Borisa Němcova, 160 00 Prague 6, Czech Republic;
- Office for Democratic Institutions and Human Rights, Ul. Miodowa 10, 00-251 Warsaw, Poland; and
- High Commissioner on National Minorities, Prinsessegracht 22, 2514 AP The Hague, The Netherlands.

2.7 - Intangible Assets

Intangible assets consist of software and are stated at cost less accumulated amortization and any recognized impairment losses.

Intangible assets are amortized using the straight line method over their estimated useful life; residual values are estimated at zero. The OSCE has identified two main reporting classes of intangible assets: software licenses externally acquired and internally-developed software. The capitalisation thresholds and useful lives for the different asset classes are tabulated below.

Self-constructed intangible assets, including those under development, are recorded at cost, including any directly attributable costs of preparing the asset for its intended use. These include salaries and employee benefits, as well as external consultancy costs. Amortization starts once the completed assets are available for use.

Software maintenance and service costs are charged to the Statement of Financial Performance during the period in which they are incurred.

Asset Class	Capitalisation Threshold (EUR '000)	Useful Life (Years)
Externally Purchased Software	1	5
Internally-Developed Software	50	7
Internally-Developed Software Under Development	50	7

2.8 - Impairment of Assets

The OSCE performed a review of its assets in conjunction with revenue earned to identify whether it owned any cash-generating assets. Cash-generating assets are assets held with the primary objective of generating a commercial return. In 2020 there were no intangible assets or items of property, plant and equipment which met this definition, therefore all assets were classified as non-cash-generating and *IPSAS 21 - Impairment of Non-Cash-Generating Assets* was applied to the reporting of impairments.

Intangible assets and items of property, plant and equipment are reviewed annually for impairment to determine if the carrying amount is still considered to be recoverable. Situations that could lead to impairment include major damage or obsolescence. Impairment losses are recognized in the Statement of Financial Performance for the amount by which the asset’s carrying amount exceeds its recoverable service amount, and are reported under Other Operating Expenses.

2.9 - Operating Leases

Leases where the OSCE does not retain a significant portion of the risks and rewards inherent in ownership are classified as operating leases. As stated in Note 2.6.2, buildings occupied by the Secretariat and Institutions are not capitalised. Buildings occupied by other Missions are regarded as operating leases due to the short terms of their mandates. Rent under operating leases, both cash payments and contributions in-kind, is charged to the Statement of Financial Performance as incurred.

2.10 - Employee Benefits

Employee benefits entitlements are set out in the OSCE Staff Regulations and Staff Rules approved by the Permanent Council.

2.10.1 - Employee Benefits Current

Current employee benefits are expected to be settled within 12 months of the reporting date and include pay and allowances, assignment grants, education grants, annual leave, home leave and rest and recuperation for employees in certain Field Operations. The amounts related to these liabilities are calculated by OSCE and determined by an independent actuary using the methodology and assumptions as described in Note 4.6 – Employee Benefits, based on personnel data and past experience, and are as follows:

- Annual leave – in accordance with OSCE’s Staff Rules, OSCE officials may carry forward up to thirty days of unused leave. Due to the COVID-19 situation, officials are permitted, exceptionally, to carry over up to forty-five days from 2020 into 2021. In addition, a fixed-term staff or mission member may be granted advance annual leave up to a maximum of fifteen days. Annual leave is considered as a current benefit and hence is not subject to actuarial valuation. The liability for annual leave is calculated by multiplying the net number of unused leave days as of 31 December 2020 up to a maximum of forty-five days by the basis of the monthly net salary, including post adjustment, if applicable.
- Home leave and rest and recuperation leave – Heads of Mission and other fixed-term international Mission Members, both contracted and seconded, are entitled to home leave once every twelve months. In addition, for those staff serving in duty stations designated as hazardous or hardship, there is an additional entitlement to rest and recuperation leave once every twelve months. For international fixed-term contracted Staff Members, including the Secretary General and Heads of Institutions, the entitlement for home leave is once every two years. The OSCE also covers the travel expenses of spouse and dependent children who reside at the duty station with the Staff Member. The liabilities for home

leave and rest and recuperation are calculated by using estimates of travel expenses based on historical average costs.

The effect of discounting on these liabilities is deemed to be immaterial and these liabilities were classified as current.

The duty stations that qualify for rest and recuperation are as follows:

- Programme Office in Nur-Sultan;
- Centre in Ashgabat;
- Programme Office in Bishkek;
- Project Co-ordinator in Uzbekistan;
- Programme Office in Dushanbe;
- Special Monitoring Mission to Ukraine (only in the locations of Luhansk and Donetsk);
- Personal Representative of the Chairperson-in-Office (PRCiO) on the Conflict Dealt with by the Minsk Conference (in certain locations only).

2.10.2 - Employee Benefits Non-Current

Non-current employee benefits are disclosed in accordance with IPSAS 39. They relate to post-employment benefits, including repatriation benefits such as:

- Repatriation Grant – OSCE makes a grant towards the costs of repatriation for international fixed term contracted staff members, including the Secretary General, the Heads of Institution and their eligible dependents, upon separation from service. This entitlement is subject to minimum qualifying periods ranging from one to five years depending on grade and date of entry into service. The amount of the grant is calculated on the basis of the staff member's last salary, excluding post adjustment, and the staff member's completed years and months of qualifying service.
- Repatriation Travel – upon separation, the OSCE covers the travel expenses for fixed-term contracted OSCE officials, seconded officials and international short-term contracted staff. The spouse and dependent children of international fixed-term contracted staff members are also entitled to repatriation travel.
- Removal of Household Effects – upon separation, the Secretary General, Heads of Institution and international contracted staff members appointed for a period of one year or more are entitled to the payment of the removal of household effects. The costs to be reimbursed shall be the actual expenses incurred.

The present value of non-current employee benefits liabilities is determined by discounting the estimated cash outflows using interest rates of high-quality corporate bonds with a duration that approximates the maturity terms of the related liabilities.

2.11 - Cash Surplus or Deficit

The calculation and treatment of the cash surplus is laid down in Financial Regulation 7.07.

At the end of each financial year, the cash surplus or deficit for the Unified Budget Funds is determined by calculating the excess of budget revenue actually received over budgetary expenditure or the excess of budgetary expenditure over budget revenue received.

Unless otherwise determined by the Permanent Council, the cash surplus is credited against contributions of the participating States, in accordance with the scale of contribution for the year to which the surplus relates, in the year following the year in which the financial statements are accepted by the Permanent Council. The allocation to a participating State of its share of the cash surplus is withheld in cases where the participating State is in arrears for the year to which the surplus relates and until such time as these arrears are paid in full.

In the event of a cash defecit, the Secretary General is required to bring the matter to the attention of the Permanent Council and to make proposals for appropriate action by the Council.

Cash surplus is not calculated for Extra-Budgetary Funds. Unspent amounts are refunded upon request of donors after expiration of the pledges.

Cash surpluses for Special Purpose Funds are calculated in accordance with the Permanent Council Decisions that established each of the Funds.

2.12 - Deferred Revenue

Unified Budget deferred revenue consists mainly of assessed contributions received in advance, savings from previous years, and credits to participating States to be deducted from future assessments.

Extra-budgetary contributions are either used as agreed in the project related to the pledge, or are returned or redeployed at the direction of the donor. Such pledges are therefore considered to be conditional and are initially recognised as deferred revenue until such time as the condition is met and project expenditure incurred.

2.13 - Provisions

Provisions are recognized in circumstances when the OSCE has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

2.14 - Contingent Liabilities and Contingent Assets

Contingent liabilities are disclosed when there are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the OSCE. Contingent assets are disclosed when there are probable assets that arise from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the OSCE.

2.15 - Revenue from Non-Exchange Transactions

Revenue from assessed contributions and revenue from extra-budgetary contributions are recognized as non-exchange transactions in accordance with IPSAS 23.

Revenue from assessed contributions from participating States is recorded on an accrual basis, independent from when the cash is received. It reflects the approved Unified Budget for the year, including any revisions, and adjusted for any shortfall between the Budget and the approved Scales of Contribution; together with any approved Special Purpose Funds that are financed by assessed contributions, also including any applicable revisions.

Extra-budgetary contributions are initially recognized in the Statement of Financial Position, as they are all considered to be conditional, and are subsequently recognized as revenue in the Statement of Financial Performance when project expenditure occurs. Where the criteria for recognition as stipulated under a donor agreement are not fulfilled, the contributions are refundable to donors.

2.16 – Contributions In-Kind

Contributions in-kind in the form of goods (including inventory, property, plant and equipment and intangible assets) are measured at fair value and recorded as contributions in-kind in the Statement of Financial Performance.

Contributions in-kind of services comprise seconded staff occupying posts approved by the Permanent Council or agreed as part of an extra-budgetary project, certain ancillary services related to premises provided free of rent (security, maintenance, utilities etc.) and other services. Although recognition is not required by IPSAS 23, these classes of services in-kind are measured at fair value and recorded as contributions in-kind in the Statement of Financial Performance. The estimated value of seconded personnel is based on a calculation of the additional cost of employing international contracted staff and mission members in their place, and does not reflect the actual costs to the States seconding them.

2.17 - Revenue from Exchange Transactions

Revenue from exchange transactions refers mainly to the occasional sales of assets. Revenue is measured at the fair value of the consideration received or receivable and is recognized as goods and services are delivered.

2.18 – Indirect Common Costs

Indirect Common Costs are levied on Extra-budgetary projects and some third-party payments and are intended to defray costs incurred for provision of administrative support that cannot be easily attributed to specific projects. As revenue is recognised, it is transferred to a separate extra-budgetary fund for subsequent allotment and use.

2.19 - Expenses

Expenses are accounted for on an accrual basis and are recognized when the goods or services are delivered to the OSCE.

2.20 - Critical Accounting Estimates and Judgments

The preparation of the Financial Statements involves the use of accounting estimates and professional judgment; therefore there is a risk that actual amounts could differ from the related estimates. The areas where those are more significant in the preparation of OSCE's Financial Statements include *inter alia*: useful lives of tangible and intangible assets, provisions, accruals, deferred revenue, contingent assets and liabilities and employee benefits. Due to the impact of COVID-19, there may be a higher risk envelope around estimates made in the preparation of the 2020 financial statements.

NOTE 3: ASSETS

3.1 – Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, and short-term deposits with initial maturity of 3 months or less.

OSCE operates a pooling system for banking purposes and most cash is held in Secretariat bank accounts. Consequently, some Funds, particularly Extra-Budgetary and Special Funds, hold comparatively little or no cash as it is transferred from the Secretariat accounts to local accounts as required. The inter-fund balances shown in Statement VI complete the picture of each entity's net asset position.

In accordance with Financial Regulation 5.02, funds not needed for immediate requirements are pooled in bank accounts administered by the Secretariat and invested in the form of money market deposits. Those deposits with an initial maturity of 3 months or less were classified as cash equivalents.

	As at 31 December 2020				
EUR '000	**Unified Budget and Cash Pools**	**Special Purpose Funds**	**Extra-Budgetary**	**Total**	**As at 31 December 2019**
Cash	214	187	-	401	330
Bank	59,042	651	24,291	83,984	94,764
Short-term Deposits	-	-	6,674	6,674	-
Total	**59,256**	**838**	**30,965**	**91,059**	**95,094**

3.2 – Investments

Investments consist of money-market deposits with initial maturity over 3 months. At the end of the reporting period, investments (including Revolving and Contingency Funds) amounted to EUR 43,685 thousand (EUR 13,971 thousand in 2019) consisted of EUR 33,685 thousand related to Extra-Budgetary Funds and EUR 10,000 thousand related to the Unified Budget.

3.3 – Contributions Receivable

Contributions receivable include assessments billed to participating States and extra-budgetary contributions billed to donors that have not yet been received by OSCE.

EUR '000	2020	2019
Unified Budget Assessed Contributions Receivable	4,634	6,068
Special Monitoring Mission to Ukraine Assessed Contributions Receivable	5,014	512
Extra-budgetary Contributions Receivable	13,566	15,739
Total Contributions Receivable	**23,213**	**22,319**
Allowance for Doubtful Debts	(4,352)	(5,422)
Total Net Contributions Receivable	**18,861**	**16,897**

Based on each participating State's historical pattern of payments, an allowance for doubtful debts has been established to bring the balance of assessed contributions receivable in line with its fair value:

EUR '000	2020	2019
Unified Budget Assessed Contributions Receivable	4,634	6,068
Allowance for Doubtful Debts	(3,960)	(5,107)
Net Unified Budget Assessed Contributions Receivable	***674***	***961***
Special Monitoring Mission Assessed Contributions Receivable	5,014	512
Allowance for Doubtful Debts	(393)	(315)
Net Special Purpose Funds Assessed Contributions Receivable	***4,621***	***197***
Total Net Assessed Contributions Receivable	**5,295**	**1,158**

3.3.1 - Unified Budget Assessed Contributions Receivable

A schedule of outstanding Assessed Contributions Receivable by participating State is shown below:

EUR '000 Participating State	Outstanding for 2018 and Prior Years	2019	2020	Adjustments for 2020 Approved Budget	Outstanding Balance as at 31 December 2020
Bosnia and Herzegovina	-	-	44	1	45
France	-	-	514	(12)	502
Kyrgyzstan	967	45	45	-	1,057
Serbia	-	-	49	1	50
Turkmenistan	-	-	1	-	1
Uzbekistan	2,411	245	245	2	2,903
Total Due Balance	**3,378**	**290**	**898**	**(8)**	**4,558**
Bills to other participating States				76	76
Total				**68**	**4,634**

The allowance for doubtful debts for 2020 and its change compared to 2019 are as follows:

EUR '000 Participating State	Outstanding Balance as at 1 January 2020	Payments of Arrears Received in 2020	Assessments / Credits for 2020	Cash Surplus Credits in 2020	Outstanding Balance as at 31 December 2020	2020 Allowance	Change in Allowance from 2019
Kyrgyzstan	1,063	(44)	45	(7)	1,057	1,057	(6)
Uzbekistan	4,044	(1,212)	248	(177)	2,903	2,903	(1,141)
Total	**5,107**	**(1,256)**	**293**	**(184)**	**3,960**	**3,960**	**(1,147)**

The Government of the Republic of Uzbekistan made significant payments in both 2019 and 2020, reducing its arrears, and the allowance for doubtful debt has been reduced commensurately.

3.3.2 - Special Purpose Funds Assessed Contributions Receivable

Assessed Contributions Receivable for Special Purpose Funds related to the bills issued for the financing of the Special Monitoring Mission to Ukraine are tabulated below:

EUR '000 Participating State	Outstanding for 2018 and Prior Years	2019	2020	Outstanding Balance as at 31 December 2020
Andorra	-	-	13	13
Armenia	-	-	13	13
Azerbaijan	-	-	17	17
Italy	-	-	1,284	1,284
Kyrgyzstan	56	15	17	88
Mongolia	-	-	13	13
Spain	-	-	3,280	3,280
Turkmenistan	53	15	17	85
Uzbekistan	138	38	43	220
Total	**247**	**68**	**4,699**	**5,014**

The allowance for doubtful debts for 2020 and its change compared to 2019 are as follows:

EUR '000 Participating State	Outstanding Balance as at 1 January 2020	Payments of Arrears Received in 2020	Assessments/ Credits for 2020	Outstanding Balance as at 31 December 2020	2020 Allowance	Change in Allowance from 2019
Kyrgyzstan	71	-	17	88	88	17
Turkmenistan	68	-	17	85	85	17
Uzbekistan	176	-	43	220	220	43
Total	**315**	**-**	**78**	**393**	**393**	**78**

3.3.3 – Extra-budgetary Contributions Receivable

Extra-budgetary contributions receivable relates to the agreements and pledge acceptances with donors which are due for payment. The breakdown by Extra-budgetary Funds is as follows:

EUR' 000	2020	2019
Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina	287	465
Fund for Activities Relating to Economic and Environmental Aspects of Security	279	302
Fund for Activities Related to Special Monitoring Mission to Ukraine	17	515
Other PC Established Funds – Partnership Fund	119	119
Other Activities and Special Projects	12,864	14,339
Total	**13,566**	**15,739**

The aging of the extra-budgetary accounts receivable is as follows:

EUR' 000	Outstanding Balance	Less than one year	1 – 3 years	3 – 4 years	More than 4 years
Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina	287	31	252	-	4
Fund for Activities Relating to Economic and Environmental Aspects of Security	279	225	42	-	13
Fund for Activities Related to Special Monitoring Mission to Ukraine	17	17	-	-	-
Other PC Established Funds - Partnership Fund	119	-	-	119	-
Other Activities and Special Projects	12,864	4,229	6,819	983	833
Total	**13,566**	**4,502**	**7,113**	**1,101**	**850**

3.4 – Accounts Receivable

Accounts receivable are carried at the original invoice amount, less an allowance for estimated doubtful debts based on a review of all outstanding amounts at the year-end. Accounts receivable consist mainly of recoverable Value Added Tax and other receivables.

EUR '000	2020	2019
Tax Receivable from Governments	1,539	1,638
Receivable from Customers	617	365
Other Receivables	1,493	1,871
Accrued Interest Receivable	9	94
Allowance for Doubtful Debts	(113)	(92)
Total	**3,545**	**3,877**

3.5 – Prepayments

Prepayments do not meet the definition of financial instruments as defined by *IPSAS 28 – Financial Instruments: Presentation* because they are intended to be settled through delivery of goods or services, rather than cash. Furthermore, prepayments are considered non-monetary items as defined by *IPSAS 4 - The Effects of Changes in Foreign Exchange Rates*, and therefore are translated at the transaction exchange rate.

EUR '000	2020	2019
Prepayments to Suppliers	3,134	4,827
Prepayments to Implementing Partners	1,265	1,195
Prepayments to Staff	214	348
Other Prepayments	209	207
Total	**4,822**	**6,577**

3.6 – Inventory

Inventory recognized in the Statement of Financial Position consists of project assets held for distribution to beneficiaries and vehicle spare parts held by Special Monitoring Mission to Ukraine. The total amount of inventories recognized as an expense during 2020 was EUR 1,677 thousand (EUR 2,941 thousand in 2019). Total value of inventory in 2020 was EUR 2,037 thousand (EUR 1,474 thousand in 2019):

EUR '000	2020	2019
Project assets held for distribution to beneficiaries	960	552
Special Monitoring Mission to Ukraine vehicle spare parts	1,077	922
Total	**2,037**	**1,474**

There were no write downs of inventories during the reporting period.

3.7 – Other Current and Non-Current Assets

Other current and non-current assets include payroll prepayments, deposits for rent recoverable after the termination of the leases and insurance premium receivable.

The insurance premium non-current receivable represents the OSCE share of funds for excess premiums to the insurance company Cigna, which will be used in the future to defray cost increases or provide additional services.

EUR '000	2020	2019
Current Payroll Prepayments	42	17
Total Other Current Assets	***42***	***17***
Non-Current Insurance Premium Receivable	61	504
Long Term Deposit for Rent	20	20
Total Other Non-Current Assets	***81***	***524***
Total	**123**	**542**

3.8 – Property, Plant and Equipment

Property, Plant and Equipment is initially recognized at cost and subsequently depreciated using the straight line method over the assets' useful life to an assumed residual value of zero.

2020

EUR'000	ICT Equipment	Vehicles	Household and Office Equipment	Security and Safety Equipment	Leasehold Improve-ments	Other Equipment	Total Property, Plant and Equipment
Cost as at 1 January 2020	*9,690*	*39,898*	*5,792*	*3,256*	*4,381*	*456*	*63,472*
Additions	888	6,898	298	646	-	14	8,744
Disposals	(378)	(525)	(89)	(58)	-	(4)	(1,053)
Cost as at 31 December 2020	*10,200*	*46,271*	*6,000*	*3,844*	*4,381*	*466*	*71,162*
Accumulated Depreciation as at 1 January 2020	*7,155*	*32,814*	*4,543*	*2,095*	*2,594*	*394*	*49,595*
Depreciation	1,226	4,633	436	555	200	24	7,074
Disposals	(361)	(493)	(53)	(51)	-	(4)	(962)
Impairments	-	-	-	-	-	-	-
Accumulated Depreciation and Impairment Losses as at 31 December 2020	*8,020*	*36,955*	*4,925*	*2,598*	*2,794*	*415*	*55,707*
Net Carrying Amount as at 31 December 2020	*2,180*	*9,316*	*1,075*	*1,246*	*1,587*	*51*	*15,456*

2019

EUR'000	ICT Equipment	Vehicles	Household and Office Equipment	Security and Safety Equipment	Leasehold Improve-ments	Other Equipment	Total Property, Plant and Equipment
Cost as at 1 January 2019	*9,253*	*41,108*	*5,720*	*3,185*	*4,381*	*430*	*64,077*
Additions	1,051	543	371	163	-	26	2,154
Disposals	(614)	(1,754)	(299)	(92)	-	-	(2,759)
Cost as at 31 December 2019	*9,690*	*39,897*	*5,792*	*3,256*	*4,381*	*456*	*63,472*
Accumulated Depreciation as at 1 January 2019	*6,535*	*27,944*	*4,373*	*1,656*	*2,393*	*369*	*43,270*
Depreciation	1,220	6,568	421	529	201	25	8,964
Disposals	(600)	(1,698)	(251)	(90)	-	-	(2,639)
Impairments	-	-	-	-	-	-	-
Accumulated Depreciation and Impairment Losses as at 31 December 2019	*7,155*	*32,814*	*4,543*	*2,095*	*2,594*	*394*	*49,595*
Net Carrying Amount as at 31 December 2019	*2,535*	*7,083*	*1,249*	*1,161*	*1,787*	*62*	*13,877*

The Property, Plant and Equipment total cost as at 31 December 2020 of EUR 71,162 thousand includes fully depreciated assets still in use to the amount of EUR 36,752 thousand (EUR 23,377 thousand in 2019).

3.9 – Intangible Assets

Internally developed software and intangible assets under development consist of software licenses and costs incurred to make the software operational. These costs include salaries and professional fees.

2020

EUR'000	Software Licenses Purchased	Internally Developed Software	Intangible Assets under Development	Total Intangible Assets
Cost as at 1 January 2020	*1,608*	*4,145*	*-*	*5,753*
Additions	199	-	1,353	1,551
Disposals	(116)	-	-	(116)
Assets under Construction Capitalized	-	-	-	-
Cost as at 31 December 2020	*1,691*	*4,145*	*1,353*	*7,188*
Accumulated Amortization as at 1 January 2020	*1,141*	*3,039*	*-*	*4,180*
Amortization	201	592	-	793
Disposals	(70)	-	-	(70)
Impairments	-	-	-	-
Accumulated Amortization and Impairment Losses as at 31 December 2020	*1,271*	*3,631*	*-*	*4,903*
Net Carrying Amount as at 31 December 2020	**420**	**513**	**1,353**	**2,286**

2019

EUR'000	Software Licenses Purchased	Internally Developed Software	Intangible Assets under Development	Total Intangible Assets
Cost as at 1 January 2019	*1,491*	*4,145*	*-*	*5,636*
Additions	151	-	-	151
Disposals	(34)	-	-	(34)
Assets under Construction Capitalized	-	-	-	-
Cost as at 31 December 2019	*1,608*	*4,145*	*-*	*5,753*
Accumulated Amortization as at 1 January 2019	*886*	*2,447*	*-*	*3,333*
Amortization	259	592	-	851
Disposals	(4)	-	-	(4)
Impairments	-	-	-	-
Accumulated Amortization and Impairment Losses as at 31 December 2019	1,141	*3,039*	*-*	*4,180*
Net Carrying Amount as at 31 December 2019	**467**	**1,106**	**-**	**1,573**

3.10 - Impairment of Assets

No impairment losses or reversals of impairment were recorded in 2020 or 2019.

NOTE 4: LIABILITIES

4.1 – Accounts Payable

Accounts Payable consisted mainly of invoiced amounts due to suppliers and payments due to OSCE staff.

EUR '000	2020	2019
Payables to Suppliers	2,472	3,194
Payables to Implementing Partners	-	111
Amounts Owed to Staff	384	316
Total	**2,856**	**3,621**

4.2 – Accruals

Accruals include liabilities for goods and services delivered during the year, but for which invoices were not received at the year-end.

Payroll-related accruals are reported as part of Employee Benefits Current.

Unliquidated obligations (ULOs) represent obligations for goods ordered but not yet delivered to the Organization at the year-end. ULOs are recognized for budgetary purposes, but do not satisfy the delivery principle under IPSAS and are therefore not included in these financial statements, except for the actuals in Statement V - Statement of Comparison of Budget and Actual Amounts.

4.3 – Deferred Revenue

The Unified Budget deferred revenue consists of contribution advances by participating States in the amount of EUR 4,386 thousand, and the 2018 Cash Surplus outstanding balance of EUR 258 thousand credited to participating States during 2020.

The Permanent Council approved deferral of the use by the Office for Democratic Institutions and Human Rights of EUR 849 thousand (PC.DEC/1288) which was originally approved through a supplementary budget in 2016 (PC.DEC/1177) and carried forward to 2017 (PC.DEC/1240). This amount is deferred until the time the observations of local elections are carried out in certain areas of the Donetsk and Luhansk regions of Ukraine.

The Special Funds deferred revenue consists of advance payments in the amount of EUR 3,458 thousand by participating States to be applied against the next available bill.

Total deferred revenue is summarized by source of funds in the table below:

EUR ’000	2020	2019
Advance UB contributions payments by participating States	4,644	748
Deferred funds per PC.DEC/1288	849	849
Total Unified Budget Deferred Revenue	***5,493***	***1,597***
Advance Special Purpose contributions payments by participating States	3,458	5,530
Deferred savings to be used in next Special Monitoring Mission to Ukraine mandate	-	1,700
Deferred savings to be used in next OSCE Observers to two Russian Checkpoints on the Russian-Ukrainian Border mandate per PC.DEC/1359	-	468
Total Special Purpose Funds Deferred Revenue	***3,458***	***7,698***
Total Deferred Revenue	**8,951**	**9,295**

4.4 – Conditional Extra-Budgetary Contributions

In line with the requirements of IPSAS 23 - *Revenue from Non-Exchange Transactions*, extra-budgetary contributions subject to conditions are classified as deferred revenue. As the conditions are satisfied, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation as at the reporting date. As the conditions on extra-budgetary contributions are satisfied through performance as set within projects, the carrying amount of the liability is reduced and an amount of revenue is recognized equal to the amount expensed in the period for the activities specified in the extra-budgetary projects.

EUR '000	2020	2019
Extra-Budgetary Contributions Subject to Conditions	71,617	70,610
Extra-Budgetary Contributions Advances	3,926	819
Total Extra-Budgetary Contributions	**75,543**	**71,429**

4.5 – Funds Held for Third Parties

Funds held for Third Party Funds consists almost entirely of funds received from participating States for payment of salaries to seconded staff on their behalf. In 2020 there were five participating States on whose behalf the salary is paid directly by OSCE. The services of these staff, about two-thirds of whom serve with Special Monitoring Mission to Ukraine, are donated by participating States. The personnel concerned are paid by the OSCE from the third-party funds held in its accounts for this purpose. Depending on the timing differences between receipt of funds from the participating States concerned and disbursements to individuals, large sums may be held for salary payments at the end of the reporting period.

4.6 – Employee Benefits

Actuarial assumptions are required to be disclosed in the Financial Statements in accordance with *IPSAS 39 – Employee Benefits*. The following key assumptions and methods have been used by the actuary to determine the value of non-current employee benefits in order to estimate the liability.

Discount rate of 0.00% (0.00% in 2019) derived in reference to market yields of high quality corporate bonds - iBoxx Euro Corporates AA, with a duration of 1.55 years, which approximates the maturity terms of the related liabilities;

Present value of future benefits based on salary projections;

Increase in salary of 2.5% per year;

No increase in shipment costs;

No increase in travel costs; and

Estimated years of service based on OSCE's historical averages.

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payment required to settle the obligation resulting from employee service rendered in the current and prior periods.

Actuarial gains or losses arise when the actuarial assessment differs from the long term expectation on the obligations: they result from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions. Actuarial gains or losses for non-current benefit obligation are recognized directly in Equity/Net Assets. Current service cost is the increase in the present value of the defined obligation resulting from employee service in the current period.

Due to the discount rate of 0.00% in 2019 there is no interest cost increase during the period in the present value of the defined benefit obligation.

The service cost is recognized in the Statement of Financial Performance.

The following table provides more details regarding how the different types of benefits have changed in 2020:

EUR'000	Defined Benefit Obligation as at 1 January 2020	Current Service Cost	Interest Cost	Actual Payments	Actuarial (Gains)/ Losses	Defined Benefit Obligation as at 31 December 2020
Home leave and rest and recuperation	321	745	-	(543)	-	524
Annual leave	3,071	4,473	-	(412)	-	7,132
Total annual leave, home leave and rest and recuperation	*3,392*	*5,218*	-	*(955)*	-	*7,656*
Repatriation grant	2,473	472	-	(615)	(79)	2,251
Repatriation shipment	854	196	-	(294)	67	823
Repatriation travel	354	86	-	(91)	12	361
Total repatriation benefits	*3,681*	*754*	-	*(1000)*	*1*	*3,435*
Total	**7,073**	**5,972**	**-**	**(1,955)**	**1**	**11,091**

Liabilities for current employee benefits also include payroll-related accruals in the amount of EUR 515 thousand, for total current employees liabilities of EUR 8,172 thousand.

There has been an increase in liabilities for annual leave and home leave compared to 2019. This is mainly due to the fact that staff made less use of their entitlements and to the extension of those entitlements to 45 days of annual leave carry-over (increased from 30 days) and an increase to the grace period for the use of home leave entitlements from six months to twelve.

The repatriation benefits estimates in the table are based on the actuarial assumptions set out above. If these assumptions were to change, the effects on the defined benefit obligation would be as tabulated below.

Discount Rate	**Effect**
Effect on Defined Benefit Obligation in % of +0.1%	-0.15%
Effect on Defined Benefit Obligation in % of -0.1%	+0.16%
Future salary increase	
Effect on Defined Benefit Obligation in % of +1%	+1.45%
Effect on Defined Benefit Obligation in % of -1%	-1.43%

The post-employment repatriation benefits are entirely unfunded and the liabilities will be met from budget allotments for the years in which they fall due, or from extra-budgetary revenue, as appropriate. The expected servicing cost of repatriation liabilities, net of payments, in 2021 amount to minus EUR 809 thousand.

4.6.1 - Provident Fund

The Provident Fund is a defined contribution plan. The employer contributions of 15% of staff salaries are fixed and are recognized as payroll expense. Employees contribute 7.5% of their salary and may make additional voluntary contributions of up to 15%. The assets are held by Utmost Worldwide in the beneficial ownership of the employee. The Secretary General's responsibility is to establish arrangements to provide a Provident Fund facility to employees and to monitor these arrangements. The balance of funds held for the benefit of OSCE Staff by the Provident Fund as at 31 December 2020 was EUR 119,536 thousand.

The Provident Fund is administered by Utmost Worldwide in accordance with the contract. The OSCE obtains the Financial Statements of Utmost Worldwide Limited on an annual basis. The latest available Financial

Statements were in respect of the year ended 31 December 2019 and were audited by Ernst & Young LLP, Chartered Accountants, who gave an unqualified opinion on the Financial Statements.

The Provident Fund summary statement for the year ending 31 December 2020 is shown in the Appendix.

4.7 – Related Party Disclosures

4.7.1 - Governing Bodies

Based in Vienna, the Permanent Council is the body for regular political consultation and decision-making on all issues pertinent to the OSCE and is responsible for the day-to-day business of the Organization.

The OSCE Permanent Council is formed by the delegates of the 57 participating States. Representatives of the OSCE Parliamentary Assembly and of executive structures may attend meetings of the decision-making bodies as observers. The OSCE's 11 Partners for Co-operation may be invited to attend as observers. A delegation to the Permanent Council consists of a team of diplomats of the participating State headed by an ambassador. Members of the delegations are appointed separately by the Governments of each participating State and are not considered key management personnel as defined by IPSAS. They do not receive remuneration from the Organization.

OSCE decisions have to be taken by consensus and the Chairman seeks approval from all delegations. In the case of one or more delegations opposing a decision, the issue is renegotiated. If all delegates agree, the decision becomes politically binding for all participating States.

The Ministerial Council meets once a year towards the end of every term of chairmanship to consider issues relevant to the OSCE and make appropriate decisions. During periods between Summits, decision-making and governing power lies with the Ministerial Council, whose members are the Foreign Ministers of the OSCE participating States.

At OSCE Summits, the Heads of State or Government of the OSCE participating States set the Organization’s priorities and provide orientation for several years. There are no general rules determining how often Summits take place. Any participating State can propose a Summit. The decision to hold it, like all OSCE decisions, must then be taken by consensus.

4.7.2 - Key Management Personnel

The Secretary General, Heads of Institutions and Heads of Missions, including Personal Representatives who are Fund Managers, as well as the Secretariat’s Main Programme Managers at the Director level represent the key management personnel as they have authority for planning, directing and controlling the activities of OSCE.

The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as allowances, grants and subsidies, and employer contributions to the provident fund and health insurance. As defined in the Staff Regulations and Rules, Heads of Mission and Personal Representatives who are Fund Managers are seconded by or through a participating State and therefore do not receive a salary remuneration from OSCE, but are entitled to a board and lodging allowance.

Advances are those made against entitlements in accordance with Staff Regulations and Rules and are available to all OSCE staff. The table below details the number of key management personnel positions and the number of key management staff who held these positions over the course of the year.

EUR'000	Number of Individuals	Number of Posts	Remuneration and Post Adjustment	Entitle-ments	Provident Fund and Health Plan	Total Remuneration 2020	Outstanding Advances Against Entitlements
SG and Heads of Institutions	5	4	497	150	72	728	-
Secretariat's Directors	12	10	1,222	239	192	1,675	-
Heads of Mission and Personal Representatives	26	24	55	991	3	1,099	-
Key Management Personnel	**43**	**38**	**1,774**	**1,380**	**267**	**3,502**	**-**

4.8 – Cash Surplus or Deficit

4.8.1 - Cash Surplus Current

Unless otherwise determined by the Permanent Council, the cash surplus is credited against assessed contributions of the participating States in the year following the year in which the financial statements are accepted by the Permanent Council.

The current cash surplus as at 31 December 2020 is made up of the current cash surplus as at 1 January 2020, plus the non-current 2019 cash surplus which moved to current at the end of 2020, less sums used in accordance with applicable Permanent Council decisions to fund the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border activities and credit to participating States as detailed in the following table:

EUR '000	Secretariat & Institutions	Field Operations	Total
Current Cash Surplus as at 1 January 2020	*274*	*957*	*1,231*
PC.DEC/1368 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 30 September 2020	96	372	468
PC.DEC/1375 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 January 2021	96	372	468
Credit of Cash Surplus withheld for 2000/2001 Uzbekistan and 2000 Kyrgyzstan against outstanding contributions receivable	30	7	37
Credit of residual 2018 Cash Surplus to participating States	52	206	258
Remaining Current Cash Surplus	-	-	-
Non-Current Cash Surplus as at 1 January 2020	704	2,074	2,778
Total Current Cash Surplus as at 31 December 2020	**704**	**2,074**	**2,778**

The credit of current cash surplus withheld for Kyrgyzstan and Uzbekistan, upon payment of outstanding arrears from 2000 and 2001, was made against the earliest outstanding UB assessed contributions receivable, (see Note 3.3.1 - Unified Budget Assessed Contributions Receivable).

The residual balance of EUR 258 thousand from the 2018 cash surplus was credited to participating States during 2020 through deferred revenue to be deducted against the UB 2021 Second Bill (see note 4.3 – Deferred Revenue).

4.8.2 - Cash Surplus Non-Current

The cash surplus for 2020 is not due for settlement until 2022, and it is therefore classified as a non-current liability. The total cash surplus for 2020 is calculated as shown in the table below.

EUR '000	Secretariat & Institutions	Field Operations	Total
Budgetary Surplus	977	1,629	2,606
Add: Assessed Contributions Receivable at Beginning of Period	4,605	1,463	6,068
Less: Assessed Contributions Receivable at End of Period	(3,267)	(1,366)	(4,634)
Cash Surplus for 2020	**2,315**	**1,725**	**4,040**

The budgetary surplus for the period does not include IPSAS adjustments. See Note 8.1 - Reconciliation of Surplus/ (Deficit) for the Period for a reconciliation to the Surplus/ (Deficit) shown in the Statement of Financial Performance.

4.9 – Provisions

The provision for unearned revenue of extra-budgetary pledges currently expiring on or before 31 December 2020 amounts to EUR 14,304 thousand.

EUR '000	2020	2019
Provision for Pending Refunds to Donors	14,304	8,512

4.10 – Other Current and Non-Current Liabilities

Other current liabilities consist primarily of pending refunds of Provident Fund reimbursements to staff and refunds of office rent received in advance from Governments.

EUR '000	2020	2019
Governments Advance Refunds	835	725
Other Current Liabilities	197	66
Total Other Current Liabilites	***1,032***	***791***
Non-Current Extra-Budgetary Revenue	-	-
Total Other Non-Current Liabilities	***-***	***-***
Total	**1,032**	**791**

NOTE 5: RESERVES

5.1 - Cash Surplus Withheld

The cash surplus for those participating States that have not settled their assessed contributions in full is withheld by the OSCE until the outstanding payments are received.

Cash surplus withheld does not meet the definition of a liability and is therefore included in the reserves. The table below is a summary of the cash surplus withheld by participating State and by year. There were no cash surplus distributions related to the fiscal years 2014 through 2017 and cash surpluses for 2019 and 2020 are not yet due for distribution, and therefore none are retained for those years. The longest outstanding cash surplus withheld is from the fiscal year 2001.

In 2020 Kyrgyzstan released EUR 44 thousand against the outstanding 2001 receivable, while Uzbekistan released EUR 1,212 thousand against 2002 through 2007 and partly against the 2008 contribution receivable, resulting in a decrease of cash surplus withheld in the amount of EUR 140 thousand.

EUR '000	2016 and Prior Years	2017	2018	Total
Kyrgyzstan	41	-	0.1	41
Uzbekistan	26	-	0.3	26
Total Cash Surplus Withheld	**67**	**-**	**0.4**	**68**

5.2 – Revolving and Contingency Funds

The Revolving Fund, in the amount of EUR 2,710 thousand, was established by the Permanent Council (PC.DEC/133 dated 27 June 1996) to meet the short-term cash requirements of duly authorized OSCE activities that could result from the period between the billing and payment of assessed contributions.

The Contingency Fund, in the amount of EUR 2,180 thousand, was established by the Permanent Council (PC.DEC/182 dated 17 July 1997) to allow OSCE to act immediately after the adoption of a Permanent Council decision on a new activity and to cover the corresponding financial requirements prior to the approval of the relevant supplementary budget.

5.3 – Other Reserves

Other Reserves consists of actuarial gains and losses related to employee benefits of EUR 2,201 thousand in 2020 (EUR 2,201 thousand in 2019).

5.4 – Accumulated Surplus/(Deficit)

The increase in the Accumulated Surplus/Deficit during 2020 to EUR 42,231 thousand (EUR 31,982 thousand in 2019) as shown in Statement IV includes the allocation of the Cash Surplus for 2020 in the amount of EUR 4,040 thousand (see Note 4.8.2 – Cash Surplus Non-Current) and surplus for the period in the amount of EUR 14,290 thousand (see Note 8.1 – Reconciliation of Surplus/(Deficit) for the Period).

NOTE 6: REVENUE

6.1 – Assessed Contributions

Accrued revenue from assessed contributions amounted to EUR 227,218 thousand (EUR 213,201 thousand in 2019). It includes the 2020 Unified Budget and revenue from assessed contributions for the Special Monitoring Mission to Ukraine which, reduced for savings from previous mandates, amounts to EUR 89,014 thousand (EUR 74,997 thousand in 2019).

EUR '000	2020
PC.DEC/1369 – Approval of the 2020 Unified Budget	138,204
Total Unified Budget Revenue from Assessed Contributions	***138,204***
PC.DEC/1323 – Extension of the mandate of the OSCE Special Monitoring Mission to Ukraine – Second Bill	21,177
PC.DEC/1366 – Extension of the mandate of the OSCE Special Monitoring Mission to Ukraine – First Bill	67,837
Total Special Purpose Funds Revenue from Assessed Contributions	***89,014***
Total Revenue from Assessed Contributions	**227,218**

6.2 – Extra-Budgetary Contributions

Revenue from extra-budgetary contributions includes revenue received in 2020, as well as revenue from conditional agreements previously recorded as deferred revenue, for which conditions were satisfied in 2020.

EUR '000	2020	2019 *(Restated)*
Revenue from Extra-Budgetary Contributions	40,139	48,968
Revenue from Conditional Agreements Recognized/(Deferred) during the period	(10,197)	(6,224)
Reallocation of Project Funds	570	599
Total	**30,512**	**43,343**

The reallocation of project funds resulted in a net inflow of EUR 570 thousand from Third Party Funds to Extra-Budgetary Funds.

The 2019 figures are restated as described in Note 2.2.1, Restatement – Indirect Common Costs.

6.3 – Finance Revenue

Finance revenue includes interest from bank balances and short-term cash deposits.

EUR '000	2020	2019
Interest received from banks	263	353
Accrual adjustments	(85)	(13)
Total	**178**	**340**

6.4 – Contributions In-Kind

Revenue from contributions in-kind consists of contributions in-kind from seconded staff, ancillary services and donated goods as shown in the table below:

EUR '000	2020	2019
Seconded Staff	66,350	76,400
Ancillary Services	784	890
Goods In-Kind	4,908	4,395
Total Contributions In-Kind	**72,042**	**81,685**

The total value of contributions in-kind of the services of seconded staff is recorded as Contributions In-Kind in the Statement of Financial Performance. The estimated value of seconded personnel is based on a calculation of what it would cost to employ international contracted staff and mission members in their place, and does not reflect the actual costs to the participating States seconding them. A review of the calculation methodology, described in Note 2.1.1, has resulted in a decrease in 2020 estimated revenue when compared with 2019. Under the previous method of estimation, the amount recognised in 2020 would have been EUR 72,392 thousand (EUR 24,726 in UB/ExB and EUR 47,666 in SPF) as compared with the reported amount of 66,350 thousand.

EUR '000	2020	2019
Unified Budget and Extra-Budgetary Funds Seconded Staff	22,698	24,770
Special Purpose Funds Seconded Staff	43,652	51,630
Total Contributions In-Kind of Seconded Staff Services	**66,350**	**76,400**

In addition, certain ancillary services, such as security, maintenance and utilities, were provided in respect of premises provided free of charge.

EUR '000	2020	2019
Ancillary Services	784	890
Total Contributions In-Kind of Ancillary Services	**784**	**890**

Contributions in-kind in the form of goods (including supplies, inventory, property, plant and equipment and intangible assets) are measured at fair value and recorded as Contributions In-Kind in the Statement of Financial Performance. The total fair value of goods in-kind received consists of the following items:

EUR '000	2020	2019
Supplies	*-*	*1*
IT Hardware	30	-
Donated Property, Plant and Equipment	*30*	*-*
Premises	4,821	4,394
Equipment	57	-
Premises and Equipment provided rent-free	*4,878*	*4,394*
Total Revenue from Goods In-Kind	**4,908**	**4,395**

6.5 – Revenue from Exchange Transactions

Revenue from Exchange Transactions refers to gains and losses related to the sale of assets and minor equipment.

6.6 – Foreign Exchange Gains/(Losses)

The revenue pertains to both realized and unrealized gains and losses on foreign exchange balances and transactions.

EUR '000	2020	2019
Realized Gains/(Losses)	(112)	(1,081)
Unrealized Gains/(Losses)	(1,763)	691
Total	**(1,875)**	**(390)**

6.7 – Other Revenue

Revenue Reallocated from Internal Sources represents funds reallocated from Cash Surplus to finance the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border, establishment of the OSCE IT Infrastructure Upgrade Fund, financing Infrastructure strengthening and supplementary budgets for Office for Democratic Institutions and Human Rights and Mission in Kosovo .

The earned indirect common costs amount of EUR 799 thousand in 2020 consists of EUR 65 thousand (EUR 71 thousand in 2019) derived from charges for the processing of seconded staff salaries by participating States. The 2019 figures have been restated as described in Note 2.2.1, Restatement – Indirect Common Costs.

Other revenue includes, inter alia, revenue from certain shared conference services, insurance claims and discounts taken.

EUR '000	2020	2019 *(Restated)*
Revenue Reallocated from Internal Sources	1,404	6,505
Indirect Common Costs Revenue	65	71
Other Revenue	4,042	3,626
Total	**5,511**	**10,202**

NOTE 7: EXPENSES

7.1 – Staff Costs

Salaries include amounts paid to international and local contracted staff, local professional staff, and temporary assistance.

The board and lodging allowance (BLA) consists of a daily allowance payable by the OSCE which is intended to partially cover the living costs incurred by international mission members. BLA is paid to international contracted and seconded staff. The BLA rates are established for each Mission by the Secretary General in December each year and remain valid for the following year.

Other staff costs include hazard pay, personal income tax, medical services, overtime and vacancy advertisement costs.

Insurance refers to health, life and accident insurance.

Other employee benefits include education grant, child and spouse allowance, appointment travel, assignment grant, rental subsidy, training, interns compensation and service cost for employee benefits (see Note 2.10 - Employee Benefits).

EUR '000	2020	2019
Salaries	69,890	67,355
BLA for international seconded staff	48,388	49,600
BLA for international contracted staff	3,106	2,880
Provident fund	9,246	9,180
Other staff costs	5,485	5,955
Insurance	3,124	2,822
Other employee benefits	10,419	6,217
In-kind seconded staff costs	66,350	76,400
Total	**216,008**	**220,409**

The in-kind seconded staff costs recognize the value to the Organisation of staff seconded free of charge by participating States. The estimated value is based on a calculation of what it would cost to employ international contracted staff and mission members in their place, and does not reflect the actual costs to the participating States seconding them. A review of the calculation methodology, described in Note 2.1.1, has resulted in a decrease in 2020 estimated cost when compared with 2019. Under the previous method of estimation, the amount recognised in 2020 would have been EUR 72,392 thousand as compared with the reported amount of 66,350 thousand.

7.2 – Consultancy and Subcontracting

Other contractual services include, inter alia, subcontracting services related to the implementation of projects and paramedical services in the Special Monitoring Mission to Ukraine.

EUR '000	2020	2019
Special Services Agreements	13,505	14,577
Implementing Partner costs	4,755	6,134
Paramedical services	7,773	9,055
Other contractual services	5,163	5,085
Total	**31,196**	**34,851**

7.3 – Travel Expenses

Travel expenses include travel ticket costs, daily subsistence allowance, local transportation, terminal allowances and other travel costs. Travel of non-OSCE officials includes the same types of cost and is related mainly to their attendance at conferences and seminars and recruitment of new staff.

EUR '000	2020	2019
Travel of non-OSCE officials	1,756	10,604
Duty travel for OSCE officials	5,993	12,968
Travel for training of OSCE officials	239	1,150
Total	**7,988**	**24,722**

7.4 – Services and Office Costs

Communication services include, among others, internet access fees, rental of communication equipment and leased lines. IT services refer to software maintenance and support fees, as well as rental and installation of IT equipment.

EUR '000	2020	2019
Rental and maintenance of buildings	15,835	15,883
Conferences, seminars, workshops	2,554	8,973
Communication services	2,953	3,594
Interpreters, translators and typing services	2,298	1,955
IT services	3,661	5,349
Printing and copying services	720	682
Vehicles maintenance costs	1,508	2,343
Freight and transportation	390	348
Insurance other than staff	662	648
Bank charges	765	873
Ancillary services in-kind	784	890
Total	**32,130**	**41,538**

Incurred costs of EUR 511 thousand of services and office costs relates to the agreements with third parties which are fully reimbursed.

7.5 – Consumables and Supplies

Consumables and supplies include items that are either used or consumed in rendering services, such as office supplies, ICT supplies and spare parts. Other supplies include mainly safety and security supplies and stationery.

EUR '000	2020	2019
Fuel and lubricants	712	1,052
Other supplies	2,752	2,219
Communication and IT supplies	2,190	1,773
Publications, newspapers and printed materials	338	419
Spare parts	552	1,037
Building/Household Supplies	773	580
Total	**7,317**	**7,080**

7.6 – Depreciation and Amortization

Depreciation charges are applied to tangible property, plant and equipment capitalized on the OSCE Statement of Financial Position. Amortization relates to intangible assets.

EUR '000	2020	2019
Amortization	793	851
Depreciation	7,074	8,963
Total	**7,867**	**9,814**

7.7 – Equipment Expense

Equipment expenses include costs related to the acquisition of equipment which would otherwise meet the definition of Property, Plant and Equipment but are below the capitalization threshold of EUR 1 thousand, both those purchased by OSCE and those donated to the Organization. Also included is the estimated value of equipment loaned by donors on cost-free rentals.

EUR '000	2020	2019
Equipment Purchased	4,135	6,651
Equipment Donated	57	1
Equipment Provided Rent-Free	-	-
Total Equipment Expenses	**4,192**	**6,652**

7.8 – Other Operating Expenses

EUR '000	2020	2019
Unmanned Aerial Vehicle Services	10,628	9,879
Other Operating Costs	1,595	411
Representation Costs	270	480
Project Costs	73	167
Change in Allowance for Doubtful Debts	78	69
Total	**12,644**	**11,006**

7.8.1 - Ex Gratia Payments

Ex gratia payments are made in extraordinary situations when the OSCE has a moral obligation or it is in the overall interest of the Organization to do so. Disclosure of ex gratia payments is required by Financial Regulation 6.05. During 2020 ex gratia payments totalling EUR 107 thousand were approved by the Secretary General. The list of Executive Structures concerned is as follows:

EUR '000	2020
Office for Democratic Institutions and Human Rights	85.0
The Secretariat	19.5
Programme Office in Bishkek	2.5
Total	**107**

7.8.2 – Cash and Other Losses and Write-Offs

A case involving significant discrepancies in the area of fuel management in one executive structure was first mentioned in the Report of the External Auditor for the year ended 31 December 2015 and was disclosed in subsequent Financial Statements. During the course of 2018, the Secretary General initiated disciplinary action against the individuals involved and this is ongoing. In addition, administrative action continues with a view to recovering, to the maximum extent possible, the amounts deemed to have been lost. During 2020 the organisation recovered amounts from some former mission members in an effort to recoup losses attributable to their actions or omissions.

The Joint Consultative Group (JCG) on the Conventional Forces in Europe Treaty has been underpaying by 9% its invoiced contributions to the costs of the Hofburg. OSCE continues to press its claim for these funds without success to date. Consequently, a bad debt allowance has been created with a corresponding write-down in 2020 of EUR 39 thousand. This allowance does not represent an abandonment of the claim or release the JCG from its obligation to pay under the terms of its Financial Agreement with the OSCE.

NOTE 8: RECONCILIATIONS OF BUDGETS TO FINANCIAL STATEMENTS

Statement V (comparison of budget and actual amounts) is provided in accordance with IPSAS 24, which requires *"a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s), and for which they are, therefore, held publicly accountable".* This is the case for all the funds for which budget appropriations are approved by the Permanent Council - they include the Unified Budget Funds and the four Special Purpose Funds. Information presented in Notes 8.1 and 8.2 below is also provided in accordance with IPSAS 24:

- 8.1 breaks down the surplus of Statement II (Statement of Performance, EUR 14,290 thousand) between the two categories of budgetary funds (UB and Special Purpose Funds) on the one hand, and extra-budgetary funds on the other, to explain the difference between the budgetary and the IPSAS results;
- 8.2 agregates the surpluses of all budgetary funds (i.e. UB funds and the four Special Purpose Funds) presented in Statement V (EUR 10,927 thousand), and explains the difference with the IPSAS cash flow statement (Statement II, EUR 14,290 thousand);

Additional information presented in Notes 8.3 (financial position and performance of the Special Monitoring Mission to Ukraine) and 8.4 (extra-budgetary expenditure by executive structure) is not directly related to Statement V and IPSAS 24.

8.1 - Reconciliation of Surplus/ (Deficit) for the Period

The Financial Statements are prepared on an accrual basis, while the budget is prepared on a modified cash basis. The following table shows a reconciliation of the excess/shortfall of income over expenditure on a budgetary basis, used to calculate the Cash Surplus, and the Surplus/(Deficit) for the Period as reported in the Statement of Financial Performance. The differences are due to IPSAS adjustments affecting revenue and expenses.

EUR '000	UB Funds	Special Purpose Funds	Extra-Budgetary Funds	Total OSCE
Budgetary Excess of Income over Expenditure	***2,606***	***5,145***	***9,890***	***17,641***
IPSAS Adjustments:				
Revenue				
Accrued Interest	(86)	-	-	(86)
Revenue from Conditional Funding Agreements	-	-	(10,101)	(10,101)
Contributions In-Kind	26,962	44,907	172	72,042
Revenue from Exchange Transactions	(11)	(21)	(23)	(55)
Other Revenue	31	(44)	17	5
Revenue from Change in Allowance for Doubtful Debts	1,147	-	-	1,147
Subtotal Revenue	*28,044*	*44,842*	*(9,933)*	*62,952*
Expense				
Expense from Change in Allowances for Doubtful Debts	-	(78)	-	(78)
Unliquidated Obligations	3,623	-	-	3,623
Accruals Adjustments	1,122	314	214	1,651
Budget Deferrals	3,477	-	-	3,477
Prepayments Adjustments	363	(1,749)	14	(1,372)
Employee Benefits	(3,268)	(607)	(149)	(4,023)
Contributions In-Kind Expense	(26,960)	(44,879)	(172)	(72,012)
Insurance Adjustments	(381)	(62)	-	(443)
Inventory Adjustments	262	155	206	622
Property, plant and equipment Adjustments	(379)	2,639	(766)	1,494
Intangibles Adjustments	530	30	199	758
Subtotal Expense	*(21,612)*	*(44,237)*	*(454)*	*(66,303)*
Total IPSAS Adjustments	***6,432***	***605***	***(10,388)***	***(3,351)***
IPSAS Surplus/(Deficit) for the Period	**9,037**	**5,750**	**(498)**	**14,290**

The difference between the surpluses shown in Statement V (EUR 3,309 thousand in UB Funds and EUR 6,749 thousand) and the Budgetary Excess of Income and Expenditure shown above is because both benefitted from additional revenue over and above budgeted Assessed Contributions and from revenue credits from asset disposals, which are both subtracted from the surplus against the approved budget shown in Statement V, and also minor budgetary encumbrances to get to the excess of income over expenditure. The following table reconciles the differences:

EUR'000	UB Funds	Special Purpose Funds	PC.DEC/ 1288	TOTAL PC approved	ExB	TOTAL
Statement V surplus	*3,329*	***6,749***	***849***	***10,927***		
Non-budget revenue	168	(1,603)	(849)	(2,284)		
Revenue credits	(895)			(895)		
Budgetary encumbrances	3			3	9,890	
Budgetary Excess of Income over Expenditure	**2,606**	**5,145**	**0**	**7,751**	**9,890**	**17,641**

8.2 – Reconciliation of Actual Amounts on a Comparable Basis and Cash Flow Statement

Since the Financial Statements and the budget are prepared on different bases, the actual amounts presented on a comparable basis to the budget in Statement V - Statement of Comparison of Budget and Actual Amounts need to be reconciled to the net cash flow from operating, investing and financing activities as required under *IPSAS 24 – Presentation of Budget Information in Financial Statements*.

The reconciliation requires that any differences be separately identified:

- *Basis differences* - in order to reconcile the Budget results to the Cash Flow Statement, differences between the budgetary framework and IPSAS such as unliquidated obligations, prepayments and depreciation need to be considered as basis differences;
- *Presentation differences* - differences in the content and classification used in the Statement of Cash Flow versus the Statement of Comparison of Budget and Actual Amounts; for example, the budgetary framework makes no distinction between operating, investing and financing activities;
- *Timing differences* - occur in such cases when the budget cycle differs from the financial reporting cycle. For Unified Budget Funds there are no timing differences, since both cycles coincide. For Special Funds, the mandates of the Special Monitoring Mission to Ukraine, the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border and the Information Security Enhancement Fund do not correspond to the calendar year, however, the budgets have been prorated to cover the full year 2020 and therefore any timing differences have been removed.
- *Entity differences* - the Statement of Comparison of Budget and Actual Amounts refers to Unified Budget and Special Purpose Funds, whereas the Cash Flow Statement includes also Extra-Budgetary Funds. Extra-Budgetary Funds are excluded from Statement V because budgets under extra-budgetary activities are not subject to approval by the Permanent Council.

EUR'000	Operating Activities	Investing Activities	Financing Activities	Total
Actual Amount on Comparable Basis	***10,927***	***0***	***0***	***10,927***
Basis Differences	(30,857)	0	0	(30,857)
Presentation Differences	16,549	(13,263)	(4,181)	(895)
Timing Differences	0	0	0	0
Entity Differences	44,472	(26,695)	0	17,777
Actual Amount in the Cash Flow Statement	**41,091**	**(39,958)**	**(4,181)**	**(3,047)**

The following table breaks down the Operating Activities basis differences into its constituent parts:

EUR'000	Operating Activities
Budget Deferrals	3,477
Increase in accruals and Unliquidated Obligations	5,521
Increase in funds held for third parties	1,630
Purchase of property, plant and equipment and intangibles	(3,637)
Revenue other than budgeted Assessed Contributions	(2,284)
Increase in contributions receivable	(3,068)
Cash Surplus movements	(1,372)
Cash and other transfers to Extra-Budgetary Funds	(31,765)
Other differences	641
Total basis differences	**(30,857)**

The transfers to Extra-Budgetary Funds consist mainly of cash moved from the Secretariat cash pool to Extra-Budgetary investments and also form a part of the Entity Differences.

To measure the cash surplus of the UB funds in 2020, the budget surplus shown above is adjusted by the movement in contributions receivable to derive the amounts actually paid over and above the Assessed Contributions (contributions paid for years other than 2020, less 2020 contributions unpaid as at 31 December 2020), which sums to the total UB funds cash surplus of EUR 4,040 thousand:

Budgetary Excess of Income over Expenditure	**2,606**
Opening assessed contributions receivable	6,068
Closing assessed contributions receivable	(4,634)
Cash Surplus for 2020	**4,040**

8.2.1 – Unified Budget as Presented in the Statement of Comparison of Budget and Actual Amounts

The original budget of EUR 138,204 thousand was approved by the Permanent Council on 28 May 2020 under PC.DEC/1369.

The difference of EUR 3,329 thousand between the approved budget and the actual amounts are tabulated in the Budget and Expenditure Report at Chapter II.

The Unified Budget is calculated on a cash basis and covers the period from 1 January 2020 to 31 December 2020; therefore it is in line with the period covered by the Financial Statements. These are prepared on an accrual basis, which differs from the budget basis. For the purpose of preparing the comparison of budget and actuals in the Statement of Comparison of Budget and Actual Amounts, actuals are calculated on a cash basis comparable with the budget. These adjustments are shown in the table above under basis differences.

8.2.2 – Special Purpose Funds as Presented in the Statement of Comparison of Budget and Actual Amounts

The mandate of the Special Monitoring Mission to Ukraine does not correspond with the calendar year, and the budget shown in the Statement of Comparison of Budget and Actual Amounts is a proration of the budget under PC.DEC/1323 based on the number of days of the mandate that fell in 2020, from 1 January to 31 March 2020, as well as the prorated budget for the period from 1 April to 31 December 2020 under PC.DEC/1366. Actuals differ by EUR 6,384 thousand from the prorated budget of EUR 90,012 thousand, in part because the current mandate had not ended on 31 December 2020 and in part because of staff turnover.

The successive mandates of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border during 2020 did not match the calendar year. The figures reported in the Statement of Comparison of Budget and Actual Amounts represent part of the budget for the mandate ending 31 January 2020 under PC.DEC/1344, the whole budget under PC.DEC/1359 and PC.DEC/1368, and part of the budget for the mandate ending 31 January 2021 under PC.DEC/1375. Actuals differ by EUR 83 thousand from the prorated budget of EUR 1,406 thousand.

The Information Security Enhancement Fund was established by PC.DEC/1247 on 6 April 2017 to strengthen the security of OSCE ICT systems and to enhance its defences against sophisticated information security threats. The Information Security Enhancement Fund was originally established to cover an implementation period extending to 24 months with the balance carried forward from one year to the next, and was subsequently extended until 6 October 2020 by PC.DEC/1324 dated 4 April 2019, and was again extended until 6 July 2021 by PC.DEC/1374 dated 30 July 2020. The Statement of Comparison of Budget and Actuals shows the prorated budget of EUR 30 thousand for the calendar year 2020. After delays to start-up in 2019, the in-year spend in 2020 exceeds the pro-rated budget, but overall expenditure remains within the approved total.

The IT Infrastructure Upgrade Fund was established by PC.DEC/1322 on 28 March 2019 to upgrade to the latest version of the ICT core platform technologies and the re-architecture and deployment of a secure OSCE IT infrastructure. The Fund is established to cover the implementation period with the balance carried forward from one year to the next. The budget was supplemented with PC.DEC/1345 on 5 September 2019 in order to finance measures aimed at mitigating the risk of vendor support expiration for the ICT Core Platform Infrastructure. The Statement of Comparison of Budget and Actuals shows the residue of the approved budget. Actuals differ by EUR 793 thousand due to the recurrent nature of the mandate with balance carried forward to the subsequent year.

8.3 – Reconciliation of the Special Monitoring Mission to Ukraine

The Permanent Council approved the mandates of the Special Monitoring Mission to Ukraine as described in Note 8.2.2 and elsewhere. It approved a single budget for each mandate, with funding split between assessed and voluntary contributions. The assessed portion is shown in Statements VI.1.G and VI.2.G, and the voluntary element in Statements VI.1.H and VI.2.H. The following tables combine the two to present a complete picture of the Mission's financial position and performance.

STATEMENT OF FINANCIAL PERFORMANCE – EUR '000

	Note	2020	2019
REVENUE			
Assessed Contributions	6.1	89,014	74,997
Extra-Budgetary Contributions	6.2	11,622	12,585
Finance Revenue	6.3	0	0
Contributions In-Kind	6.4	43,737	50,248
Revenue from Exchange Transactions	6.5	(5)	9
Foreign Exchange Gains/(Losses)	6.6	(34)	(461)
Other Revenue	6.7	1,917	1,739
Total Revenue		**146,251**	**139,117**
EXPENSES			
Staff Costs	7.1	97,622	104,275
Consultancy and Subcontracting	7.2	9,430	9,612
Travel Expenses	7.3	4,585	5,657
Services and Office Costs	7.4	8,021	9,381
Consumables and Supplies	7.5	2,537	3,213
Depreciation and Amortisation	7.6	4,825	6,793
Equipment Expenses	7.7	674	2,247
Other Operating Expenses	7.8	11,849	10,013
Total Expenses		**139,543**	**151,190**
Surplus/(Deficit) for the Period	8.1	**6,708**	**(12,073)**

STATEMENT OF FINANCIAL POSITION – EUR '000

	Note	2020	2019
ASSETS			
Current Assets			
Cash and Cash Equivalents	3.1	764	745
Investments	3.2	-	-
Contributions Receivable	3.3	4,638	712
Accounts Receivable	3.4	409	430
Prepayments	3.5	572	2,185
Inventory	3.6	1,077	922
Inter-Fund Balances		19,016	18,477
Other Current Assets	3.7	-	-
		26,476	**23,471**
Non-Current Assets			
Property, Plant and Equipment	3.8	8,951	7,352
Intangible Assets	3.9	167	227
Other Non-Current Assets	3.7	8	70
		9,126	**7,648**
Total Assets		**35,603**	**31,119**
LIABILITIES			
Current Liabilities			
Accounts Payable	4.1	216	308
Accruals	4.2	672	781
Deferred Revenue	4.3	3,458	7,230
Conditional ExB Contributions	4.4	4,377	3,054
Funds Held for Third Parties	4.5	-	-
Employee Benefits Current	4.6	1,033	474
Cash Surplus Current	4.8	-	-
Provisions	4.9	917	1,037
Other Current Liabilities	4.10	8	11
		10,681	**12,896**
Non-Current Liabilities			
Employee Benefits Non-Current	4.6	289	280
Cash Surplus Non-Current	4.8	-	-
Other Non-Current Liabilities	4.10	-	-
		289	**280**
Total Liabilities		**10,970**	**13,175**
TOTAL ASSETS LESS TOTAL LIABILITIES		**24,632**	**17,944**
NET ASSETS			
Cash Surplus Withheld	5.1	-	-
Revolving Fund	5.2	-	-
Contingency Fund	5.2	-	-
Other Reserves	5.3	77	42
Accumulated Surplus/(Deficit)	5.4	24,556	17,902
Total Net Assets		**24,632**	**17,944**

8.4 – Reconciliation of Extra-budgetary expenditure by Executive Structure

Extra-budgetary expenditure shown in Statement VI.2.H is presented by Executive Structure in the table below. Various IPSAS adjustments are not attributed to individual Executive Structures and are summarized at the foot of the table to show the total spent on an IPSAS basis.

EUR '000	Total
Secretariat	5,472
Office for Democratic Institutions and Human Rights	3,250
High Commissioner on National Minorities	703
Representative on Freedom of the Media	245
Total - Secretariat and Institutions	**9,670**
Mission in Kosovo	205
Mission to Bosnia and Herzegovina	791
Mission to Serbia	560
Presence in Albania	578
Mission to Skopje	443
Mission to Montenegro	-
Total - South-Eastern Europe	**2,617**
Mission to Moldova	707
Project Coordinator in Ukraine	2,250
Representative on the Latvian-Russian Joint Commission on Military Pensioners	0
Total - Eastern Europe	**2,957**
Office in Yerevan	0
Project Co-ordinator in Baku	0
High-Level Planning Group	0
The Minsk Process	0
Personal Representative of the CiO on the Conflict dealt with by the Minsk Conference	0
Total – Caucasus	**0**
Programme Office in Astana	46
Centre in Ashgabat	148
Programme Office in Bishkek	672
Project Co-ordinator in Uzbekistan	91
Programme Office in Dushanbe	1,456
Total - Central Asia	**2,413**
Special Monitoring Mission to Ukraine	11,584
TOTAL	**29,241**
IPSAS Adjustments:	
Salaries and Employees Benefits	299
Depreciation and Amortization	1,096
Other	(80)
GRAND TOTAL	**30,556**

NOTE 9: OTHER DISCLOSURES

9.1 - Financial Risk Management

Financial risk management is carried out by the Treasury Unit in the Secretariat under policies approved by the Investment Committee and by applying the guidelines included in OSCE's Financial/Administrative Instruction Five - Income and Cash Management. *IPSAS 30 - Financial Instruments: Disclosures* states the types of risks that the Organization should disclose:

(a) *Liquidity risk* – is the risk that an entity will encounter difficulty in receiving funds to meet its financial commitments. The OSCE invests funds not required for immediate operational purposes in short-term deposits up to a maximum of nine months. Maturities are scheduled on the basis of operational requirements as identified by the Treasury Unit and OSCE Executive Structures' cash flow forecasts.

Liquidity is monitored through cash flow forecast reports for a period of 12 months into the future. The timing of payment of assessed contributions by participating States has an impact on the liquidity of the Organization. Delays in payment by large contributors can affect normal operations, although the comfortable Cash position is available to meet short-term cash requirements.

(b) Currency risk - is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The OSCE has a policy of not using derivative financial instruments to hedge against currency risk. Risk is mitigated by limiting the amount of cash held in currencies other than euro; by concluding most of the OSCE contracts in euro; and by not converting one currency to another to avoid realization of gains and losses. In 2020, the majority of net expenditures were transacted in euro or currencies pegged to the euro.

Transactions in foreign currencies are recorded in euro at the UN Operational Rates of Exchange in effect on the date of the transactions. At the end of the reporting period assets and liabilities are valued at the rates applicable as at 31 December 2020. Gains and losses arising from transactions and translation are recorded as currency exchange adjustments. In compliance with Financial Administrative Instruction Five (FAI 5) on Income and Cash Management, large exchange rate gains or losses incurred under Extra-Budgetary Funds have been credited or charged to the respective Fund.

(c) Interest rate risk – is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The OSCE did not enter into any transactions involving variable interest rates in 2020 and only made short-term deposits for fixed durations and fixed interest rates. Fluctuations in interest rates only affect the interest revenue from short-term deposits to be concluded in the future; however, the OSCE is not dependent on interest revenue for the continuation of its activities.

(d) Market risk – is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. None of the OSCE's financial instruments in 2020 were affected by changes in market prices.

(e) Credit risk – is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The largest exposures to such risk for the OSCE are Assessed Contributions Receivable and bank risk. The Treasury Unit monitors the creditworthiness of its banks on a regular basis and has strict guidelines to limit the amount deposited with each approved bank. The table below shows the amounts deposited with banks according to their credit rating. At the end of the reporting period, 98.66% of the total was held in bank accounts carrying an investment grade (BBB- and above). The table reflects the fact that due to the financial crisis most bank ratings have been revised downwards in recent years. The remaining balances are held in non-investment grade or unrated banks to support OSCE local operational needs.

At the end of the reporting period, 97.07% of the total cash and investments was held in bank accounts administered by the Treasury Unit. The remaining 2.93% was held in bank accounts throughout OSCE locations for daily operational purposes.

EUR '000	Rating	Total as at 31 December 2020	%	Total as at 31 December 2019	%
High Grade	AA- to AA+	15,871	11.8%	-	-
Upper Medium Grade	A- to A+	43,344	32.2%	64,105	58.8%
Lower Medium Grade	BBB- to BBB+	73,727	54.7%	43,050	39.5%
Non-Investment Grade	BB- to BB+	948	0.7%	662	0.6%
Highly Speculative	B- to B+	-	-	-	-
Unrated	N/A	454	0.3%	918	0.8%
Total Bank Balances		**134,344**	**99.7%**	**108,735**	**99.7%**
Cash	N/A	400	0.3%	330	0.3%
Total Cash and Bank Balances		**134,744**	**100.0%**	**109,065**	**100.0%**

(f) Cash flow risk – is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. For the OSCE such fluctuations relate to future money-market deposits in the event of changes in interest rates. As mentioned in (b) above, the OSCE is not dependent on the cash flows resulting from money-market deposits for the continuation of its activities.

There were no significant changes in the OSCE's exposure to risk or to its risk management policies during the reporting period.

9.2 – Contingent Assets and Contingent Liabilities

The OSCE has no contingent assets.

Contingent liabilities consist of multiple claims received from different entities requesting payment of back rent for four premises, namely former logistics compound known as the BBC, the former headquarters of the Mission in Kosovo, the former Regional Centre in Mitrovicë/Mitrovica and the former Rilindja Parking Lot. The Mission in Kosovo no longer occupies any of these properties and so the principal figure of these contingent liabilities is no longer rising. Since the last reporting period the former Regional Centre in Mitrovicë/Mitrovica and the former Rilindja Parking Lot claims have not been actively pursued.

No claimant has yet sufficiently substantiated their claim for any of the four premises. Consequently, there remain numerous uncertainties regarding the legality of these claims that prevent the OSCE from estimating an amount, if any, of a contingent liability.

Additionally, the Mission in Kosovo in 2017 settled a claim for the use of its former antenna site, which it vacated in May 2016. However, a contingent liability of EUR 10,000 remains in respect of the Mission's use of this site, as the owner of 1/3 of the property in question was not a party in the settled claim, and did not submit any claim in 2018, 2019 or 2020. The figure is derived from the amount agreed in 2017 settlements.

9.3 – Leases and Contractual Obligations

Lease agreements in the Secretariat, Institutions and Field Offices refer to leases of premises and office equipment. These agreements are classified as operating leases and the related payments are charged as an expense over the period of the lease. The total lease expense for the year 2020 amounted to EUR 7,693 thousand (EUR 7,614 thousand in 2019).

Future minimum lease payments include payments for such rented premises that would be required until the earliest possible termination date under the respective agreements. The minimum lease payments also include Host Country reimbursments in the amount of EUR 2,419 thousand expected to be received. There are no agreements that contain purchase options.

The total amount of future minimum lease payments under non-cancellable operating leases is as follows:

EUR '000	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Minimum Lease Payments	3,510	883	-	4,393

In the majority of cases operating lease arrangements for field office premises can be cancelled by providing notice up to 30 days. Also the majority of the operating lease agreements contain renewal clauses which enable the Organization to extend the terms of the leases at the end of the original lease terms.

9.4 – Events After the Reporting Date

The Financial Statements were submitted to the External Auditors on 31 March 2021 and were authorized for issuance by the Secretary General on 30 June 2021.

In pursuance of the requirements set out in *IPSAS 14 - Events After the Reporting Date*, significant events which occurred between the reporting date and the date of issuance are set out below.

9.4.1 - Adjusting Events

There are no adjusting events.

9.4.2 - Non-Adjusting Events

In accordance with PC.DEC/1401 dated 31 March 2021, the mandate of the Special Monitoring Mission to Ukraine was extended until 31 March 2022. This extension is funded by assessed contributions in the sum of EUR 91,316 thousand, and through voluntary contributions.

In addition, PC.DEC/1400 dated 21 January 2021 extended the mandate of the deployment of OSCE observers to the two Russian border checkpoints of Donetsk and Gukovo on the Russian-Ukrainian border until 31 May 2021. This extension was funded in the amount of EUR 468 thousand drawn from the 2019 Cash Surplus.

II

ANNEXES TO THE FINANCIAL STATEMENTS

ANNEX 1

SEGMENTAL REPORTING BY FUND

1. Segmental Reporting

Statement of Financial Position

Summary by Source of Funds

As at 31 December 2020

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		TOTAL OSCE	
	Note	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
ASSETS													
Current Assets													
Cash and Cash Equivalents	3.1	57,115	79,531	2,141	1,472	59,256	81,003	838	780	30,965	13,311	91,059	95,094
Investments	3.2	10,000	6,363	0	0	10,000	6,363	0	0	33,685	7,608	43,685	13,971
Contributions Receivable	3.3	325	749	349	212	674	961	4,621	197	13,566	15,739	18,861	16,897
Accounts Receivable	3.4	2,398	2,318	738	1,129	3,136	3,447	409	430	0	0	3,545	3,877
Prepayments	3.5	1,763	2,027	1,996	1,736	3,758	3,763	1,031	2,796	33	19	4,821	6,578
Inventory	3.6	0	0	347	87	347	87	1,077	922	613	466	2,037	1,474
Inter-Fund Balances		(39,242)	(69,949)	10,556	5,962	(28,685)	(63,987)	15,311	18,848	13,374	45,139	0	0
Other Current Assets	3.7	42	17	0	0	42	17	0	0	0	0	42	17
		32,401	**21,057**	**16,126**	**10,597**	**48,527**	**31,655**	**23,287**	**23,972**	**92,237**	**82,281**	**164,050**	**137,908**
Non-Current Assets													
Property, Plant and Equipment	3.8	2,549	2,770	3,224	3,356	5,773	6,126	7,974	5,362	1,709	2,389	15,456	13,877
Intangible Assets	3.9	1,710	1,194	39	29	1,749	1,223	224	203	313	147	2,286	1,573
Other Non-Current Assets	3.7	49	263	23	191	72	454	9	71	0	0	81	524
		4,308	**4,227**	**3,286**	**3,576**	**7,595**	**7,803**	**8,206**	**5,636**	**2,022**	**2,536**	**17,823**	**15,974**
Total Assets		**36,709**	**25,284**	**19,413**	**14,173**	**56,122**	**39,457**	**31,493**	**29,607**	**94,259**	**84,818**	**181,873**	**153,882**
LIABILITIES													
Current Liabilities													
Accounts Payable	4.1	1,997	1,509	642	1,792	2,639	3,301	217	319	0	0	2,856	3,621
Accruals	4.2	2,605	3,495	4,187	2,710	6,792	6,205	771	898	1,270	1,386	8,834	8,489
Deferred Revenue	4.3	5,493	1,597	0	0	5,493	1,597	3,458	7,698	0	0	8,951	9,295
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	75,543	71,429	75,543	71,429
Funds Held for Third Parties	4.5	6,907	5,281	34	31	6,941	5,312	0	0	0	0	6,941	5,312
Employee Benefits Current	4.6	2,897	1,530	3,893	1,722	6,790	3,252	1,042	479	340	134	8,172	3,865
Cash Surplus Current	4.8	705	275	2,074	957	2,778	1,231	0	0	0	0	2,778	1,231
Provisions	4.9	0	0	0	0	0	0	0	0	14,304	8,512	14,304	8,512
Other Current Liabilities	4.10	850	738	176	45	1,026	782	6	9	0	0	1,032	791
		21,452	**14,424**	**11,006**	**7,256**	**32,459**	**21,680**	**5,494**	**9,403**	**91,458**	**81,461**	**129,411**	**112,545**
Non-Current Liabilities													
Employee Benefits Non-Current	4.6	2,756	2,893	271	370	3,027	3,263	297	287	110	130	3,434	3,680
Cash Surplus Non-Current	4.8	2,315	705	1,725	2,074	4,040	2,778	0	0	0	0	4,040	2,778
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0
		5,071	**3,598**	**1,996**	**2,444**	**7,067**	**6,042**	**297**	**287**	**110**	**130**	**7,475**	**6,458**
Total Liabilities		**26,524**	**18,022**	**13,003**	**9,700**	**39,526**	**27,722**	**5,791**	**9,690**	**91,568**	**81,591**	**136,886**	**119,003**
NET ASSETS													
Cash Surplus Withheld	5.1	53	159	14	49	68	208	0	0	0	0	68	208
Revolving Fund	5.2	2,710	2,710	0	0	2,710	2,710	0	0	0	0	2,710	2,710
Contingency Fund	5.2	2,180	2,180	0	0	2,180	2,180	0	0	0	0	2,180	2,180
Other Reserves	5.3	(2,502)	(2,425)	469	389	(2,033)	(2,036)	78	44	(247)	(208)	(2,201)	(2,201)
Accumulated Surplus/(Deficit)	5.4	7,744	4,638	5,927	4,036	13,670	8,674	25,624	19,873	2,937	3,435	42,231	31,982
Total Net Assets		**10,185**	**7,262**	**6,410**	**4,473**	**16,595**	**11,735**	**25,702**	**19,917**	**2,691**	**3,227**	**44,987**	**34,879**

2. Segmental Reporting

Statement of Financial Performance

Summary by Source of Funds

For the Year Ended 31 December 2020

EUR '000	Note	Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
		2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019** *(Restated)*	**2020**	**2019** *(Restated)*
REVENUE													
Assessed Contributions	6.1	59,485	58,785	78,720	79,419	138,204	138,204	89,014	74,997	0	0	227,218	213,201
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	30,512	43,343	30,512	43,344
Finance Revenue	6.3	177	340	1	1	178	340	0	0	0	0	178	340
Contributions In-Kind	6.4	12,495	12,650	14,467	17,210	26,962	29,860	44,907	51,631	172	194	72,042	81,685
Revenue from Exchange Transactions	6.5	6	50	78	243	85	294	6	(14)	(46)	24	45	303
Foreign Exchange Gains/(Losses)	6.6	(1,158)	155	0	(199)	(1,158)	(44)	(54)	(462)	(664)	116	(1,875)	(390)
Other Revenue	6.7	1,817	1,907	328	925	2,145	2,832	3,284	7,303	82	68	5,511	10,202
Total Revenue		**72,822**	**73,887**	**93,595**	**97,599**	**166,416**	**171,486**	**137,157**	**133,455**	**30,058**	**43,744**	**333,631**	**348,685**
EXPENSES													
Staff Costs	7.1	47,037	44,650	62,394	63,019	109,430	107,669	94,778	98,642	11,800	14,099	216,008	220,409
Consultancy and Subcontracting	7.2	6,361	6,703	7,065	7,052	13,427	13,755	6,544	9,742	11,225	11,354	31,196	34,851
Travel Expenses	7.3	1,041	4,625	1,501	8,448	2,542	13,073	4,599	5,685	847	5,964	7,988	24,722
Services and Office Costs	7.4	11,514	14,430	10,507	11,745	22,021	26,175	8,279	9,771	1,830	5,592	32,130	41,538
Consumables and Supplies	7.5	636	1,237	2,756	1,828	3,392	3,065	3,059	3,541	866	474	7,316	7,080
Depreciation and Amortisation	7.6	1,343	1,281	1,480	1,585	2,823	2,866	3,947	4,152	1,096	2,796	7,867	9,814
Equipment Expenses	7.7	(1,068)	523	4,070	2,709	3,002	3,232	663	2,294	527	1,126	4,192	6,652
Other Operating Expenses	7.8	536	534	206	358	742	892	9,539	6,065	2,363	4,048	12,644	11,006
Total Expenses		**67,400**	**73,984**	**89,978**	**96,743**	**157,379**	**170,728**	**131,407**	**139,891**	**30,556**	**45,453**	**319,341**	**356,072**
Surplus/(Deficit) for the Period	8.1	**5,421**	**(98)**	**3,616**	**856**	**9,037**	**758**	**5,750**	**(6,436)**	**(498)**	**(1,709)**	**14,290**	**(7,387)**

3. Segmental Reporting

Cash Flow Statement

Summary by Source of Funds

For the Year Ended 31 December 2020

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
	Note	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES													
Surplus/(Deficit) for the Period	8.1	5,421	(98)	3,616	856	9,037	758	5,750	(6,436)	(498)	(1,709)	14,290	(7,387)
Non-Cash Movements													
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	6.6	693	(243)	70	(18)	763	(260)	102	(33)	123	(16)	988	(309)
Deduction of Depreciation, Amortisation and Impairments	7.6,3.10	1,343	1,281	1,480	1,585	2,823	2,866	3,947	4,152	1,096	2,796	7,867	9,814
Deduction of Loss on Disposal of PP&E	6.5	(16)	4	1	41	(15)	46	65	18	36	47	86	111
Deduction of Non-Cash Changes in Net Assets	5.3	(77)	62	80	(26)	3	36	34	65	(38)	5	(1)	105
(Increase) / Decrease in Contributions Receivable	3.3	424	(533)	(137)	(105)	287	(638)	(4,424)	(84)	2,173	(2,192)	(1,964)	(2,914)
(Increase) / Decrease in Accounts Receivable	3.4	(80)	(347)	391	(101)	311	(448)	20	35	0	0	331	(413)
(Increase) / Decrease in Prepayments	3.5	265	906	(260)	69	4	976	1,765	(1,770)	(14)	(11)	1,755	(805)
(Increase) / Decrease in Inventory	3.6	0	0	(260)	118	(260)	118	(155)	138	(148)	(204)	(562)	51
(Increase) / Decrease in Other Current/Non-Current Assets	3.7	189	143	167	126	357	269	62	47	0	0	419	316
Increase /(Decrease) in Accounts Payable	4.1	488	(638)	(1,150)	222	(662)	(415)	(102)	114	0	0	(765)	(301)
Increase /(Decrease) in Accruals	4.2	(890)	1,721	1,477	37	588	1,758	(126)	(97)	(116)	(280)	346	1,382
Increase /(Decrease) in Deferred Revenue	4.3	3,896	(151)	0	0	3,896	(151)	(4,240)	3,168	0	0	(344)	3,017
Increase /(Decrease) in Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	4,114	5,590	4,114	5,590
Increase /(Decrease) in Funds Held for Third Parties	4.5	1,626	(8,715)	3	8	1,629	(8,707)	0	0	0	0	1,629	(8,707)
Increase /(Decrease) in Employee Benefits	4.6	1,229	(82)	2,072	(3)	3,301	(86)	573	8	187	(44)	4,061	(122)
Increase /(Decrease) in Cash Surplus Payable	4.8	2,040	272	769	(2,467)	2,809	(2,194)	0	0	0	0	2,809	(2,194)
Increase /(Decrease) in Provisions	4.9	0	0	0	0	0	0	0	0	5,793	(239)	5,793	(239)
Increase /(Decrease) in Other Liabilities	4.10	112	223	132	0	243	224	(3)	6	0	(40)	240	189
Increase /(Decrease) in Inter-Fund Balances		(30,707)	(1,990)	(4,594)	2,324	(35,301)	334	3,537	1,141	31,764	(1,475)	0	0
Net Cash Flows from Operating Activities		**(14,044)**	**(8,182)**	**3,858**	**2,667**	**(10,186)**	**(5,515)**	**6,805**	**471**	**44,472**	**2,229**	**41,091**	**(2,815)**
CASH FLOWS FROM INVESTING ACTIVITIES													
(Purchase) / Sale of Investments	3.2	(3,637)	(6,363)	0	0	(3,637)	(6,363)	0	0	(26,077)	1,524	(29,714)	(4,839)
(Addition) / Disposal of PP&E and Intangibles	3.8,3.9	(1,622)	(521)	(1,359)	(893)	(2,981)	(1,415)	(6,645)	(519)	(618)	(331)	(10,244)	(2,265)
Net Cash Flows from Investing Activities		**(5,259)**	**(6,884)**	**(1,359)**	**(893)**	**(6,618)**	**(7,778)**	**(6,645)**	**(519)**	**(26,695)**	**1,193**	**(39,958)**	**(7,103)**
CASH FLOWS FROM FINANCING ACTIVITIES													
Credits for Cash Surplus Withheld	5.1	(105)	(33)	(35)	(11)	(140)	(44)	0	0	0	0	(140)	(44)
Allocation of Current Year Cash Surplus	4.8	(2,315)	(705)	(1,725)	(2,074)	(4,040)	(2,778)	0	0	0	0	(4,040)	(2,778)
Refund of Unspent Extra-budgetary Contributions	5.4	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flows from Financing Activities		**(2,421)**	**(738)**	**(1,760)**	**(2,085)**	**(4,180)**	**(2,823)**	**0**	**0**	**0**	**0**	**(4,180)**	**(2,823)**
Net Increase/(Decrease) in Cash and Cash Equivalents	3.1	**(21,723)**	**(15,804)**	**739**	**(312)**	**(20,984)**	**(16,116)**	**160**	**(48)**	**17,777**	**3,422**	**(3,047)**	**(12,741)**
Cash and Cash Equivalents at Beginning of Period	3.1	**79,531**	**95,092**	**1,472**	**1,766**	**81,003**	**96,859**	**780**	**795**	**13,311**	**9,873**	**95,094**	**107,526**
Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents	6.6	**(693)**	**243**	**(70)**	**18**	**(763)**	**260**	**(102)**	**33**	**(123)**	**16**	**(988)**	**309**
Cash and Cash Equivalents at End of Period		**57,115**	**79,531**	**2,141**	**1,472**	**59,256**	**81,003**	**838**	**780**	**30,965**	**13,311**	**91,059**	**95,094**

A.1. Segmental Reporting

Statement of Financial Position

Secretariat and Institutions

As at 31 December 2020

EUR '000		The Secretariat		Office for Democratic Institutions and Human Rights		High Commissioner on National Minorities		Representative on Freedom of the Media		Total Institutions	
	Note	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
ASSETS											
Current Assets											
Cash and Cash Equivalents	3.1	56,341	78,437	305	971	469	123	0	0	57,115	79,531
Investments	3.2	10,000	6,363	0	0	0	0	0	0	10,000	6,363
Contributions Receivable	3.3	209	465	88	208	19	46	9	30	325	749
Accounts Receivable	3.4	2,082	2,054	289	143	27	121	0	0	2,398	2,318
Prepayments	3.5	1,019	1,253	598	549	140	224	6	1	1,763	2,027
Inventory	3.6	0	0	0	0	0	0	0	0	0	0
Inter-Fund Balances		(41,623)	(70,728)	2,033	780	35	(106)	314	106	(39,242)	(69,949)
Other Current Assets	3.7	30	14	5	0	7	3	0	0	42	17
		28,057	**17,858**	**3,318**	**2,650**	**697**	**411**	**329**	**137**	**32,401**	**21,057**
Non-Current Assets											
Property, Plant and Equipment	3.8	2,387	2,591	116	133	42	41	3	5	2,549	2,770
Intangible Assets	3.9	1,698	1,169	12	24	0	0	0	0	1,710	1,194
Other Non-Current Assets	3.7	40	188	7	57	1	12	1	6	49	263
		4,126	**3,948**	**135**	**215**	**44**	**53**	**4**	**11**	**4,308**	**4,227**
Total Assets		**32,183**	**21,806**	**3,453**	**2,865**	**741**	**465**	**332**	**148**	**36,709**	**25,284**
LIABILITIES											
Current Liabilities											
Accounts Payable	4.1	1,903	821	91	676	3	12	0	(0)	1,997	1,509
Accruals	4.2	1,336	2,738	1,048	582	176	154	45	21	2,605	3,495
Deferred Revenue	4.3	4,644	748	849	849	0	0	0	0	5,493	1,597
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	6,825	5,237	82	44	0	0	0	0	6,907	5,281
Employee Benefits Current	4.6	2,095	995	569	380	139	121	92	34	2,897	1,530
Cash Surplus Current	4.8	687	245	(48)	16	7	6	60	8	705	275
Provisions	4.9	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	795	674	(1)	(1)	56	64	0	0	850	738
		18,285	**11,458**	**2,589**	**2,546**	**382**	**357**	**197**	**64**	**21,452**	**14,424**
Non-Current Liabilities											
Employee Benefits Non-Current	4.6	1,678	1,677	839	871	169	267	69	78	2,756	2,893
Cash Surplus Non-Current	4.8	929	687	920	(48)	292	7	173	60	2,315	705
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0
		2,608	**2,364**	**1,759**	**822**	**462**	**273**	**242**	**138**	**5,071**	**3,598**
Total Liabilities		**20,892**	**13,822**	**4,349**	**3,368**	**843**	**630**	**439**	**202**	**26,524**	**18,022**
NET ASSETS											
Cash Surplus Withheld	5.1	51	146	2	9	0	2	0	1	53	159
Revolving Fund	5.2	2,710	2,710	0	0	0	0	0	0	2,710	2,710
Contingency Fund	5.2	2,180	2,180	0	0	0	0	0	0	2,180	2,180
Other Reserves	5.3	(1,326)	(1,311)	(978)	(939)	(137)	(126)	(61)	(49)	(2,502)	(2,425)
Accumulated Surplus/(Deficit)	5.4	7,675	4,259	81	427	34	(41)	(47)	(6)	7,744	4,638
Total Net Assets		**11,290**	**7,984**	**(895)**	**(503)**	**(103)**	**(165)**	**(107)**	**(54)**	**10,185**	**7,262**

A.2. Segmental Reporting

Statement of Financial Performance

Secretariat and Institutions

For the Year Ended 31 December 2020

EUR '000		The Secretariat		Office for Democratic Institutions and Human Rights		High Commissioner on National Minorities		Representative on Freedom of the Media		Total Institutions	
	Note	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
REVENUE											
Assessed Contributions	6.1	38,212	37,518	16,160	16,160	3,504	3,504	1,609	1,603	59,485	58,785
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	176	338	1	1	0	0	0	0	177	340
Contributions In-Kind	6.4	9,388	9,770	2,218	2,075	470	481	418	324	12,495	12,650
Revenue from Exchange Transactions	6.5	5	13	0	38	1	(0)	0	0	6	50
Foreign Exchange Gains/(Losses)	6.6	(1,144)	207	(14)	(51)	(0)	(0)	(0)	(0)	(1,158)	155
Other Revenue	6.7	1,439	1,533	240	410	61	17	77	(53)	1,817	1,907
Total Revenue		**48,077**	**49,379**	**18,605**	**18,632**	**4,036**	**4,001**	**2,104**	**1,874**	**72,822**	**73,887**
EXPENSES											
Staff Costs	7.1	33,178	30,906	9,084	9,365	3,083	2,920	1,692	1,458	47,037	44,650
Consultancy and Subcontracting	7.2	1,470	2,103	4,706	4,345	158	222	27	34	6,361	6,703
Travel Expenses	7.3	444	2,601	552	1,531	40	315	6	178	1,041	4,625
Services and Office Costs	7.4	8,309	11,252	2,827	2,768	246	349	133	61	11,514	14,430
Consumables and Supplies	7.5	313	804	262	327	55	95	5	12	636	1,237
Depreciation and Amortisation	7.6	1,228	1,186	91	80	22	13	2	2	1,343	1,281
Equipment Expenses	7.7	(1,663)	321	426	142	62	43	107	17	(1,068)	523
Other Operating Expenses	7.8	450	508	83	13	3	9	0	4	536	534
Total Expenses		**43,730**	**49,681**	**18,030**	**18,572**	**3,668**	**3,967**	**1,972**	**1,765**	**67,400**	**73,984**
Surplus/(Deficit) for the Period	8.1	**4,346**	**(302)**	**574**	**60**	**368**	**34**	**132**	**110**	**5,421**	**(98)**

B.1. Segmental Reporting

Statement of Financial Position

Field Operations by Region

As at 31 December 2020

EUR '000		Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
	Note	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
ASSETS																	
Current Assets																	
Cash and Cash Equivalents	3.1	0	0	718	712	585	69	98	53	739	637	2,141	1,472	0	0	2,141	1,472
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	13	0	208	119	26	16	10	6	91	65	349	207	0	4	349	212
Accounts Receivable	3.4	0	0	297	381	163	399	0	0	278	348	738	1,129	0	0	738	1,129
Prepayments	3.5	0	0	807	618	182	243	4	2	1,004	873	1,996	1,736	0	0	1,996	1,736
Inventory	3.6	0	0	168	48	9	6	0	0	169	33	347	87	0	0	347	87
Inter-Fund Balances		(19)	(34)	5,122	3,052	90	(232)	1,080	1,050	3,938	1,866	10,209	5,702	347	260	10,556	5,962
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		(6)	**(34)**	**7,320**	**4,932**	**1,055**	**501**	**1,192**	**1,112**	**6,219**	**3,822**	**15,779**	**10,333**	**347**	**265**	**16,126**	**10,597**
Non-Current Assets																	
Property, Plant and Equipment	3.8	0	0	2,140	2,161	302	309	130	119	653	767	3,224	3,356	0	0	3,224	3,356
Intangible Assets	3.9	0	0	19	22	15	0	0	0	5	7	39	29	0	0	39	29
Other Non-Current Assets	3.7	0	0	17	144	2	13	0	3	4	31	23	191	0	0	23	191
		0	**0**	**2,176**	**2,328**	**318**	**322**	**130**	**121**	**662**	**805**	**3,286**	**3,576**	**0**	**0**	**3,286**	**3,576**
Total Assets		**(6)**	**(34)**	**9,496**	**7,259**	**1,373**	**823**	**1,322**	**1,233**	**6,881**	**4,626**	**19,065**	**13,909**	**347**	**265**	**19,413**	**14,173**
LIABILITIES																	
Current Liabilities																	
Accounts Payable	4.1	0	0	364	517	169	55	15	1	94	1,219	642	1,792	0	0	642	1,792
Accruals	4.2	31	8	1,797	1,387	171	106	24	23	2,164	1,187	4,187	2,710	0	0	4,187	2,710
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	33	30	0	0	0	0	0	0	34	31	0	0	34	31
Employee Benefits Current	4.6	188	125	2,923	1,179	214	89	38	15	530	315	3,893	1,722	0	0	3,893	1,722
Cash Surplus Current	4.8	54	10	1,024	281	50	127	699	313	(4)	223	1,823	955	251	2	2,074	957
Provisions	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	0	0	68	52	0	5	0	1	108	(14)	176	45	0	0	176	45
		273	**143**	**6,211**	**3,446**	**604**	**382**	**777**	**353**	**2,892**	**2,931**	**10,756**	**7,255**	**251**	**2**	**11,006**	**7,256**
Non-Current Liabilities																	
Employee Benefits Non-Current	4.6	170	264	67	74	6	6	2	2	27	24	271	370	0	0	271	370
Cash Surplus Non-Current	4.8	5	54	372	1,024	263	50	389	699	598	(4)	1,627	1,823	98	251	1,725	2,074
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		174	**318**	**438**	**1,099**	**269**	**55**	**391**	**701**	**625**	**20**	**1,898**	**2,193**	**98**	**251**	**1,996**	**2,444**
Total Liabilities		**447**	**461**	**6,649**	**4,545**	**873**	**437**	**1,168**	**1,055**	**3,517**	**2,950**	**12,654**	**9,448**	**349**	**252**	**13,003**	**9,700**
NET ASSETS																	
Cash Surplus Withheld	5.1	0	0	6	26	0	1	1	3	2	5	10	34	5	14	14	49
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	276	206	332	316	1	1	(7)	(5)	(127)	(124)	475	394	(6)	(6)	469	389
Accumulated Surplus/(Deficit)	5.4	(729)	(701)	2,508	2,373	498	384	160	180	3,490	1,795	5,927	4,032	(1)	4	5,927	4,036
Total Net Assets		**(453)**	**(495)**	**2,847**	**2,715**	**500**	**386**	**154**	**178**	**3,365**	**1,676**	**6,412**	**4,461**	**(2)**	**12**	**6,410**	**4,473**

B.2. Segmental Reporting

Statement of Financial Performance

Field Operations by Region

For the Year Ended 31 December 2020

EUR '000		Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
	Note	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
REVENUE																	
Assessed Contributions	6.1	2,896	3,597	47,043	47,043	5,927	5,927	2,339	2,337	20,516	20,516	78,720	79,419	0	0	78,720	79,419
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	1	1	0	0	0	0	1	1	0	0	1	1
Contributions In-Kind	6.4	0	0	10,305	12,806	886	985	772	728	2,504	2,691	14,467	17,210	0	0	14,467	17,210
Revenue from Exchange Transactions	6.5	0	0	35	243	4	1	3	(1)	36	0	78	243	0	0	78	243
Foreign Exchange Gains/(Losses)	6.6	0	0	2	6	20	(157)	(1)	(2)	(20)	(46)	0	(199)	0	0	0	(199)
Other Revenue	6.7	(41)	44	92	769	41	(17)	(13)	17	156	(121)	235	692	94	233	328	925
Total Revenue		**2,855**	**3,641**	**57,476**	**60,867**	**6,878**	**6,738**	**3,100**	**3,080**	**23,192**	**23,040**	**93,501**	**97,366**	**94**	**233**	**93,595**	**97,599**
EXPENSES																	
Staff Costs	7.1	2,764	3,498	44,682	45,121	3,634	3,439	1,537	1,482	9,777	9,479	62,394	63,019	0	0	62,394	63,019
Consultancy and Subcontracting	7.2	106	51	2,844	2,610	801	664	0	1	3,313	3,726	7,065	7,052	0	0	7,065	7,052
Travel Expenses	7.3	0	54	443	3,046	296	788	196	512	565	4,049	1,501	8,448	0	0	1,501	8,448
Services and Office Costs	7.4	8	8	5,445	6,443	1,159	1,390	480	266	3,415	3,638	10,507	11,745	0	0	10,507	11,745
Consumables and Supplies	7.5	0	4	1,331	853	215	168	32	57	1,179	747	2,756	1,828	0	0	2,756	1,828
Depreciation and Amortisation	7.6	0	0	980	1,025	144	151	57	49	299	360	1,480	1,585	0	0	1,480	1,585
Equipment Expenses	7.7	0	0	1,163	1,023	220	171	409	4	2,278	1,510	4,070	2,709	0	0	4,070	2,709
Other Operating Expenses	7.8	0	0	80	133	33	41	20	26	73	158	206	358	0	0	206	358
Total Expenses		**2,879**	**3,615**	**56,969**	**60,254**	**6,501**	**6,811**	**2,731**	**2,396**	**20,899**	**23,667**	**89,978**	**96,743**	**0**	**0**	**89,978**	**96,743**
Surplus/(Deficit) for the Period	8.1	**(23)**	**25**	**507**	**614**	**377**	**(72)**	**368**	**684**	**2,294**	**(628)**	**3,522**	**623**	**94**	**233**	**3,616**	**856**

C.1. Segmental Reporting

Statement of Financial Position

South-Eastern Europe

As at 31 December 2020

EUR '000	Note	Mission in Kosovo		Mission to Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
	Note	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
ASSETS															
Current Assets															
Cash and Cash Equivalents	3.1	132	14	59	210	169	346	135	56	189	84	35	2	718	712
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	77	44	52	25	28	15	13	16	29	16	10	3	208	119
Accounts Receivable	3.4	0	(1)	90	185	0	0	47	56	161	142	(2)	0	297	381
Prepayments	3.5	150	111	135	64	326	302	77	59	88	60	31	22	807	618
Inventory	3.6	0	0	38	7	13	0	10	0	97	41	9	0	168	48
Inter-Fund Balances		1,929	1,487	682	184	760	73	329	258	645	285	776	765	5,122	3,052
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		2,288	**1,655**	**1,055**	**675**	**1,296**	**736**	**612**	**445**	**1,208**	**628**	**860**	**792**	**7,320**	**4,932**
Non-Current Assets															
Property, Plant and Equipment	3.8	1,092	1,059	444	422	150	140	99	129	337	373	18	39	2,140	2,161
Intangible Assets	3.9	7	13	11	5	0	0	0	0	0	4	0	0	19	22
Other Non-Current Assets	3.7	7	62	5	39	2	17	0	3	2	18	1	4	17	144
		1,107	**1,134**	**460**	**467**	**152**	**158**	**100**	**132**	**339**	**394**	**19**	**43**	**2,176**	**2,328**
Total Assets		**3,395**	**2,788**	**1,515**	**1,142**	**1,448**	**894**	**711**	**577**	**1,548**	**1,022**	**879**	**835**	**9,496**	**7,259**
LIABILITIES															
Current Liabilities															
Accounts Payable	4.1	149	157	27	27	16	98	65	84	98	130	8	21	364	517
Accruals	4.2	520	413	133	140	670	398	130	111	225	133	119	193	1,797	1,387
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	10	11	2	0	0	0	22	19	0	0	33	30
Employee Benefits Current	4.6	1,276	450	796	340	342	142	128	86	319	131	62	28	2,923	1,179
Cash Surplus Current	4.8	276	41	124	13	99	(1)	105	18	103	(1)	318	211	1,024	281
Provisions	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	44	50	22	0	0	1	(0)	(0)	1	0	2	0	68	52
		2,265	**1,111**	**1,112**	**532**	**1,128**	**638**	**429**	**299**	**767**	**413**	**510**	**453**	**6,211**	**3,446**
Non-Current Liabilities															
Employee Benefits Non-Current	4.6	25	30	13	14	6	7	7	7	13	13	3	3	67	74
Cash Surplus Non-Current	4.8	(13)	276	(12)	124	9	99	92	105	191	103	106	318	372	1,024
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		13	**306**	**0**	**138**	**15**	**105**	**99**	**112**	**203**	**117**	**109**	**321**	**438**	**1,099**
Total Liabilities		**2,278**	**1,417**	**1,112**	**670**	**1,143**	**744**	**527**	**411**	**970**	**529**	**618**	**774**	**6,649**	**4,545**
NET ASSETS															
Cash Surplus Withheld	5.1	5	13	2	4	1	5	1	3	(1)	1	0	0	6	26
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	250	241	28	25	29	28	12	11	14	12	0	(1)	332	316
Accumulated Surplus/(Deficit)	5.4	863	1,118	372	444	276	118	171	153	565	480	260	62	2,508	2,373
Total Net Assets		**1,117**	**1,371**	**402**	**472**	**305**	**150**	**184**	**167**	**577**	**493**	**261**	**61**	**2,847**	**2,715**

C.2. Segmental Reporting

Statement of Financial Performance

South-Eastern Europe

For the Year Ended 31 December 2020

EUR '000	Note	Mission in Kosovo		Mission to Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
		2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
REVENUE															
Assessed Contributions	6.1	17,463	17,463	11,682	11,682	6,259	6,259	2,981	2,981	6,506	6,506	2,152	2,152	47,043	47,043
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	4,502	5,792	1,453	1,846	1,159	1,352	992	1,178	1,779	2,158	421	479	10,305	12,806
Revenue from Exchange Transactions	6.5	1	69	1	64	1	44	0	20	34	46	0	0	35	243
Foreign Exchange Gains/(Losses)	6.6	(0)	(0)	(0)	0	(5)	(7)	8	16	(1)	(3)	0	0	2	6
Other Revenue	6.7	24	391	14	127	(6)	100	43	54	18	100	(1)	(3)	92	769
Total Revenue		**21,990**	**23,715**	**13,149**	**13,719**	**7,407**	**7,748**	**4,023**	**4,250**	**8,335**	**8,807**	**2,572**	**2,629**	**57,476**	**60,867**
EXPENSES															
Staff Costs	7.1	18,018	18,662	10,704	10,431	5,338	5,225	2,982	3,094	6,191	6,309	1,448	1,400	44,682	45,121
Consultancy and Subcontracting	7.2	877	858	555	377	588	511	182	139	482	421	160	304	2,844	2,610
Travel Expenses	7.3	198	796	89	624	50	639	68	257	27	511	12	218	443	3,046
Services and Office Costs	7.4	1,772	2,126	1,223	1,497	929	1,034	437	439	778	1,034	305	314	5,445	6,443
Consumables and Supplies	7.5	509	291	236	248	158	85	99	82	290	126	38	21	1,331	853
Depreciation and Amortisation	7.6	508	539	185	199	64	59	53	60	150	143	21	25	980	1,025
Equipment Expenses	7.7	370	316	232	392	77	13	83	84	128	174	272	45	1,163	1,023
Other Operating Expenses	7.8	5	25	9	23	35	45	9	16	11	17	11	7	80	133
Total Expenses		**22,257**	**23,613**	**13,233**	**13,790**	**7,240**	**7,611**	**3,913**	**4,171**	**8,059**	**8,734**	**2,267**	**2,334**	**56,969**	**60,254**
Surplus/(Deficit) for the Period	8.1	**(267)**	**101**	**(84)**	**(71)**	**167**	**137**	**110**	**79**	**276**	**73**	**305**	**294**	**507**	**614**

D.1. Segmental Reporting

Statement of Financial Position

Eastern Europe

As at 31 December 2020

EUR '000	Note	Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
		2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
ASSETS									
Current Assets									
Cash and Cash Equivalents	3.1	42	15	543	54	0	0	585	69
Investments	3.2	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	10	9	16	7	0	0	26	16
Accounts Receivable	3.4	19	18	143	382	0	0	163	399
Prepayments	3.5	42	20	140	223	0	0	182	243
Inventory	3.6	1	0	8	6	0	0	9	6
Inter-Fund Balances		365	175	(280)	(408)	4	1	90	(232)
Other Current Assets	3.7	0	0	0	0	0	0	0	0
		480	**236**	**571**	**264**	**4**	**1**	**1,055**	**501**
Non-Current Assets									
Property, Plant and Equipment	3.8	215	224	87	85	0	0	302	309
Intangible Assets	3.9	0	0	15	0	0	0	15	0
Other Non-Current Assets	3.7	1	5	1	8	0	0	2	13
		215	**229**	**103**	**93**	**0**	**0**	**318**	**322**
Total Assets		**695**	**466**	**673**	**357**	**4**	**1**	**1,373**	**823**
LIABILITIES									
Current Liabilities									
Accounts Payable	4.1	137	32	32	22	0	0	169	55
Accruals	4.2	37	36	134	70	0	0	171	106
Deferred Revenue	4.3	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	0	0	0	0	0	0
Employee Benefits Current	4.6	60	34	154	55	0	0	214	89
Cash Surplus Current	4.8	(4)	81	53	47	1	0	50	127
Provisions	4.9	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	0	0	0	5	0	0	0	5
		229	**183**	**374**	**198**	**1**	**0**	**604**	**382**
Non-Current Liabilities									
Employee Benefits Non-Current	4.6	5	5	1	1	0	0	6	6
Cash Surplus Non-Current	4.8	73	(4)	187	53	4	1	263	50
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0
		78	**1**	**187**	**54**	**4**	**1**	**269**	**55**
Total Liabilities		**307**	**184**	**561**	**252**	**4**	**1**	**873**	**437**
NET ASSETS									
Cash Surplus Withheld	5.1	0	0	0	0	0	0	0	1
Revolving Fund	5.2	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0
Other Reserves	5.3	(6)	(6)	7	7	0	0	1	1
Accumulated Surplus/(Deficit)	5.4	394	287	105	97	0	0	498	384
Total Net Assets		**387**	**281**	**112**	**105**	**0**	**0**	**500**	**386**

D.2. Segmental Reporting

Statement of Financial Performance

Eastern Europe

For the Year Ended 31 December 2020

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	Note	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
REVENUE									
Assessed Contributions	6.1	2,303	2,303	3,619	3,619	6	6	5,927	5,927
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	1	1	0	0	1	1
Contributions In-Kind	6.4	701	822	185	163	0	0	886	985
Revenue from Exchange Transactions	6.5	0	0	4	1	0	0	4	1
Foreign Exchange Gains/(Losses)	6.6	(5)	(0)	25	(157)	0	0	20	(157)
Other Revenue	6.7	33	(21)	8	3	(0)	0	41	(17)
Total Revenue		**3,031**	**3,103**	**3,841**	**3,629**	**5**	**6**	**6,878**	**6,738**
EXPENSES									
Staff Costs	7.1	1,859	1,938	1,775	1,501	0	0	3,634	3,439
Consultancy and Subcontracting	7.2	235	227	566	437	0	0	801	664
Travel Expenses	7.3	19	198	276	585	1	5	296	788
Services and Office Costs	7.4	406	571	753	819	0	0	1,159	1,390
Consumables and Supplies	7.5	127	82	87	85	0	0	215	168
Depreciation and Amortisation	7.6	100	110	44	41	0	0	144	151
Equipment Expenses	7.7	94	82	125	89	1	0	220	171
Other Operating Expenses	7.8	13	31	20	10	0	0	33	41
Total Expenses		**2,852**	**3,238**	**3,647**	**3,567**	**2**	**5**	**6,501**	**6,811**
Surplus/(Deficit) for the Period	8.1	**180**	**(135)**	**194**	**62**	**4**	**1**	**377**	**(72)**

E.1. Segmental Reporting

Statement of Financial Position

Caucasus

As at 31 December 2020

EUR '000	Note	Office in Yerevan 2020	Office in Yerevan 2019	High-Level Planning Group 2020	High-Level Planning Group 2019	The Minsk Process 2020	The Minsk Process 2019	Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference 2020	Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference 2019	Total Caucasus 2020	Total Caucasus 2019
ASSETS											
Current Assets											
Cash and Cash Equivalents	3.1	0	0	0	0	0	0	98	53	98	53
Investments	3.2	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	0	5	1	0	4	1	5	0	10	6
Accounts Receivable	3.4	0	0	0	0	0	0	0	0	0	0
Prepayments	3.5	0	0	1	0	0	0	3	2	4	2
Inventory	3.6	0	0	0	0	0	0	0	0	0	0
Inter-Fund Balances		4	5	154	112	494	519	427	414	1,080	1,050
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0
		4	**10**	**156**	**112**	**499**	**520**	**533**	**469**	**1,192**	**1,112**
Non-Current Assets											
Property, Plant and Equipment	3.8	0	0	2	3	0	0	128	116	130	119
Intangible Assets	3.9	0	0	0	0	0	0	0	0	0	0
Other Non-Current Assets	3.7	0	0	0	1	0	0	0	2	0	3
		0	**0**	**2**	**4**	**0**	**0**	**128**	**118**	**130**	**121**
Total Assets		**4**	**10**	**158**	**116**	**499**	**520**	**661**	**587**	**1,322**	**1,233**
LIABILITIES											
Current Liabilities											
Accounts Payable	4.1	(0)	(0)	0	0	0	0	15	1	15	1
Accruals	4.2	0	0	1	1	2	3	21	18	24	23
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	4.6	0	0	13	4	0	0	25	11	38	15
Cash Surplus Current	4.8	(1)	9	51	24	469	211	180	68	699	313
Provisions	4.9	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	0	0	0	0	0	0	0	1	0	1
		(1)	**9**	**65**	**30**	**472**	**215**	**242**	**99**	**777**	**353**
Non-Current Liabilities											
Employee Benefits Non-Current	4.6	0	0	0	0	0	0	2	2	2	2
Cash Surplus Non-Current	4.8	9	(1)	67	51	188	469	125	180	389	699
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0
		9	**(1)**	**67**	**51**	**188**	**469**	**127**	**183**	**391**	**701**
Total Liabilities		**8**	**8**	**131**	**81**	**660**	**684**	**369**	**282**	**1,168**	**1,055**
NET ASSETS											
Cash Surplus Withheld	5.1	0	0	0	0	1	2	0	1	1	3
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	(2)	(2)	0	0	0	0	(5)	(3)	(7)	(5)
Accumulated Surplus/(Deficit)	5.4	(1)	3	27	35	(163)	(165)	297	307	160	180
Total Net Assets		**(3)**	**2**	**27**	**35**	**(162)**	**(164)**	**292**	**305**	**154**	**178**

E.2. Segmental Reporting

Statement of Financial Performance

Caucasus

For the Year Ended 31 December 2020

EUR '000		Office in Yerevan		High-Level Planning Group		The Minsk Process		Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference		Total Caucasus	
	Note	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
REVENUE											
Assessed Contributions	6.1	0	0	248	247	911	911	1,180	1,180	2,339	2,337
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	0	0	490	376	0	0	282	352	772	728
Revenue from Exchange Transactions	6.5	0	0	0	0	0	0	3	(1)	3	(1)
Foreign Exchange Gains/(Losses)	6.6	0	0	0	0	0	0	(1)	(2)	(1)	(2)
Other Revenue	6.7	4	2	(0)	(2)	(3)	(6)	(14)	23	(13)	17
Total Revenue		**4**	**2**	**737**	**620**	**908**	**905**	**1,450**	**1,552**	**3,100**	**3,080**
EXPENSES											
Staff Costs	7.1	0	0	589	465	0	0	948	1,017	1,537	1,482
Consultancy and Subcontracting	7.2	0	0	0	0	0	0	0	1	0	1
Travel Expenses	7.3	0	0	3	32	218	413	(26)	67	196	512
Services and Office Costs	7.4	0	0	76	72	135	7	269	187	480	266
Consumables and Supplies	7.5	0	0	1	2	0	0	31	55	32	57
Depreciation and Amortisation	7.6	0	0	1	1	0	0	57	48	57	49
Equipment Expenses	7.7	0	0	10	0	350	0	49	4	409	4
Other Operating Expenses	7.8	0	0	0	0	13	15	7	11	20	26
Total Expenses		**0**	**0**	**679**	**572**	**717**	**435**	**1,335**	**1,389**	**2,731**	**2,396**
Surplus/(Deficit) for the Period	8.1	**4**	**2**	**58**	**48**	**191**	**471**	**115**	**162**	**368**	**684**

F.1. Segmental Reporting

Statement of Financial Position

Central Asia

As at 31 December 2020

EUR '000		Programme Office in Nur-Sultan		Centre in Ashgabat		Programme Office in Bishkek		Project Co-ordinator in Uzbekistan		Programme Office in Dushanbe		Total Central Asia	
	Note	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
ASSETS													
Current Assets													
Cash and Cash Equivalents	3.1	225	97	125	114	46	197	252	216	91	14	739	637
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	10	5	7	3	30	11	11	33	32	14	91	65
Accounts Receivable	3.4	0	0	0	0	47	64	44	0	188	284	278	348
Prepayments	3.5	17	20	15	18	701	595	122	149	149	91	1,004	873
Inventory	3.6	4	0	0	0	72	24	52	9	42	0	169	33
Inter-Fund Balances		369	119	271	41	1,240	416	387	(110)	1,671	1,400	3,938	1,866
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		624	**240**	**419**	**176**	**2,136**	**1,306**	**867**	**296**	**2,173**	**1,803**	**6,219**	**3,822**
Non-Current Assets													
Property, Plant and Equipment	3.8	99	107	37	62	147	166	143	70	227	362	653	767
Intangible Assets	3.9	0	1	0	0	0	2	0	0	5	4	5	7
Other Non-Current Assets	3.7	0	3	0	2	1	8	0	2	2	16	4	31
		99	**110**	**38**	**65**	**148**	**175**	**144**	**72**	**233**	**382**	**662**	**805**
Total Assets		**724**	**351**	**456**	**241**	**2,284**	**1,482**	**1,011**	**368**	**2,406**	**2,184**	**6,881**	**4,626**
LIABILITIES													
Current Liabilities													
Accounts Payable	4.1	3	56	0	85	32	122	(3)	1	62	955	94	1,219
Accruals	4.2	158	66	227	24	830	527	415	242	535	327	2,164	1,187
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	4.6	52	63	52	51	125	68	55	55	245	78	530	315
Cash Surplus Current	4.8	80	5	19	3	65	40	(158)	9	(11)	166	(4)	223
Provisions	4.9	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	2	(20)	99	0	1	1	1	1	4	5	108	(14)
		295	**170**	**398**	**163**	**1,053**	**758**	**310**	**309**	**835**	**1,531**	**2,892**	**2,931**
Non-Current Liabilities													
Employee Benefits Non-Current	4.6	3	4	3	3	6	5	1	2	14	10	27	24
Cash Surplus Non-Current	4.8	204	80	32	19	(25)	65	165	(158)	222	(11)	598	(4)
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0
		207	**84**	**35**	**22**	**(19)**	**71**	**166**	**(156)**	**236**	**(1)**	**625**	**20**
Total Liabilities		**502**	**254**	**433**	**185**	**1,034**	**829**	**476**	**153**	**1,072**	**1,530**	**3,517**	**2,950**
NET ASSETS													
Cash Surplus Withheld	5.1	0	1	0	1	0	1	0	1	1	2	2	5
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	(15)	(16)	(3)	(2)	(56)	(55)	(8)	(8)	(45)	(42)	(127)	(124)
Accumulated Surplus/(Deficit)	5.4	236	112	27	58	1,306	707	542	223	1,379	695	3,490	1,795
Total Net Assets		**221**	**97**	**24**	**56**	**1,250**	**653**	**535**	**216**	**1,335**	**654**	**3,365**	**1,676**

F.2. Segmental Reporting

Statement of Financial Performance

Central Asia

For the Year Ended 31 December 2020

EUR '000	Note	Programme Office in Nur-Sultan 2020	Programme Office in Nur-Sultan 2019	Centre in Ashgabat 2020	Centre in Ashgabat 2019	Programme Office in Bishkek 2020	Programme Office in Bishkek 2019	Project Co-ordinator in Uzbekistan 2020	Project Co-ordinator in Uzbekistan 2019	Programme Office in Dushanbe 2020	Programme Office in Dushanbe 2019	Total Central Asia 2020	Total Central Asia 2019
REVENUE													
Assessed Contributions	6.1	2,233	2,233	1,661	1,661	6,811	6,811	2,499	2,499	7,312	7,312	20,516	20,516
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	375	406	247	295	745	822	204	222	933	946	2,504	2,691
Revenue from Exchange Transactions	6.5	9	12	33	(12)	(6)	(0)	0	0	0	0	36	0
Foreign Exchange Gains/(Losses)	6.6	(6)	(5)	(6)	1	(56)	(15)	(19)	1	66	(28)	(20)	(46)
Other Revenue	6.7	1	20	1	13	(6)	3	148	(130)	11	(27)	156	(121)
Total Revenue		**2,612**	**2,666**	**1,936**	**1,959**	**7,489**	**7,621**	**2,833**	**2,592**	**8,322**	**8,202**	**23,192**	**23,040**
EXPENSES													
Staff Costs	7.1	1,158	1,187	1,044	1,017	2,802	2,649	929	808	3,845	3,819	9,777	9,479
Consultancy and Subcontracting	7.2	196	264	193	227	1,669	1,656	542	511	714	1,069	3,313	3,726
Travel Expenses	7.3	14	581	49	320	172	1,092	100	645	230	1,410	565	4,049
Services and Office Costs	7.4	337	400	442	318	1,118	1,396	425	479	1,093	1,047	3,415	3,638
Consumables and Supplies	7.5	32	34	46	40	500	231	151	54	450	388	1,179	747
Depreciation and Amortisation	7.6	29	31	23	28	48	60	48	41	152	201	299	360
Equipment Expenses	7.7	512	6	128	17	599	933	128	121	912	434	2,278	1,510
Other Operating Expenses	7.8	7	61	10	19	8	10	27	21	21	46	73	158
Total Expenses		**2,284**	**2,564**	**1,935**	**1,986**	**6,915**	**8,025**	**2,349**	**2,680**	**7,416**	**8,413**	**20,899**	**23,667**
Surplus/(Deficit) for the Period	8.1	**328**	**102**	**1**	**(27)**	**574**	**(403)**	**484**	**(89)**	**907**	**(211)**	**2,294**	**(628)**

G.1. Segmental Reporting

Statement of Financial Position

Special Purpose Funds

As at 31 December 2020

EUR '000	Note	Information Security Enhancement 2020	Information Security Enhancement 2019	IT Infrastructure Upgrade Fund 2020	IT Infrastructure Upgrade Fund 2019	Special Monitoring Mission to Ukraine 2020	Special Monitoring Mission to Ukraine 2019	Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border 2020	Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border 2019	Total Special Purpose Funds 2020	Total Special Purpose Funds 2019
ASSETS											
Current Assets											
Cash and Cash Equivalents	3.1	0	0	0	0	764	745	74	34	838	780
Investments	3.2	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	0	0	0	0	4,621	197	0	0	4,621	197
Accounts Receivable	3.4	0	0	0	0	409	430	0	0	409	430
Prepayments	3.5	83	0	369	603	572	2,184	7	8	1,031	2,796
Inventory	3.6	0	0	0	0	1,077	922	0	0	1,077	922
Inter-Fund Balances		200	576	1,200	2,578	13,663	14,833	247	861	15,311	18,848
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0
		283	**576**	**1,569**	**3,182**	**21,106**	**19,311**	**328**	**904**	**23,287**	**23,972**
Non-Current Assets											
Property, Plant and Equipment	3.8	52	0	74	80	7,705	5,281	143	2	7,974	5,362
Intangible Assets	3.9	30	0	44	13	150	190	0	0	224	203
Other Non-Current Assets	3.7	0	0	0	0	8	70	0	1	9	71
		82	**0**	**118**	**93**	**7,864**	**5,541**	**143**	**2**	**8,206**	**5,636**
Total Assets		**365**	**576**	**1,687**	**3,274**	**28,970**	**24,852**	**471**	**906**	**31,493**	**29,607**
LIABILITIES											
Current Liabilities											
Accounts Payable	4.1	0	0	0	0	216	308	1	11	217	319
Accruals	4.2	0	0	116	109	654	781	1	8	771	898
Deferred Revenue	4.3	0	0	0	0	3,458	7,230	0	468	3,458	7,698
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	4.6	0	0	0	0	1,033	474	8	5	1,042	479
Cash Surplus Current	4.8	0	0	0	0	0	0	0	0	0	0
Provisions	4.9	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	0	0	0	0	8	11	(2)	(2)	6	9
		0	**0**	**116**	**109**	**5,369**	**8,804**	**9**	**490**	**5,494**	**9,403**
Non-Current Liabilities											
Employee Benefits Non-Current	4.6	0	0	0	0	289	280	8	7	297	287
Cash Surplus Non-Current	4.8	0	0	0	0	0	0	0	0	0	0
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0
		0	**0**	**0**	**0**	**289**	**280**	**8**	**7**	**297**	**287**
Total Liabilities		**0**	**0**	**116**	**109**	**5,658**	**9,084**	**17**	**497**	**5,791**	**9,690**
NET ASSETS											
Cash Surplus Withheld	5.1	0	0	0	0	0	0	0	0	0	0
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	0	0	0	0	81	46	(3)	(2)	78	44
Accumulated Surplus/(Deficit)	5.4	365	576	1,571	3,166	23,231	15,721	457	411	25,624	19,873
Total Net Assets		**365**	**576**	**1,571**	**3,166**	**23,312**	**15,768**	**454**	**409**	**25,702**	**19,917**

G.2. Segmental Reporting

Statement of Financial Performance

Special Purpose Funds

For the Year Ended 31 December 2020

EUR '000	Note	Information Security Enhancement 2020	Information Security Enhancement 2019	IT Infrastructure Upgrade Fund 2020	IT Infrastructure Upgrade Fund 2019	Special Monitoring Mission to Ukraine 2020	Special Monitoring Mission to Ukraine 2019	Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border 2020	Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border 2019	Total Special Purpose Funds 2020	Total Special Purpose Funds 2019
REVENUE											
Assessed Contributions	6.1	0	0	0	0	89,014	74,997	0	0	89,014	74,997
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	0	0	0	0	43,737	50,248	1,170	1,383	44,907	51,631
Revenue from Exchange Transactions	6.5	0	0	0	0	6	(14)	0	0	6	(14)
Foreign Exchange Gains/(Losses)	6.6	0	0	0	0	(48)	(461)	(5)	(0)	(54)	(462)
Other Revenue	6.7	(15)	0	(4)	4,190	1,899	1,699	1,404	1,414	3,284	7,303
Total Revenue		**(15)**	**0**	**(4)**	**4,190**	**134,608**	**126,469**	**2,569**	**2,796**	**137,157**	**133,455**
EXPENSES											
Staff Costs	7.1	45	0	62	45	92,235	95,997	2,435	2,599	94,778	98,642
Consultancy and Subcontracting	7.2	0	9	147	120	6,396	9,612	0	0	6,544	9,742
Travel Expenses	7.3	0	0	5	8	4,585	5,657	9	20	4,599	5,685
Services and Office Costs	7.4	86	0	466	466	7,684	9,272	42	33	8,279	9,771
Consumables and Supplies	7.5	50	0	853	366	2,144	3,155	10	20	3,059	3,541
Depreciation and Amortisation	7.6	14	0	38	11	3,874	4,129	22	11	3,947	4,152
Equipment Expenses	7.7	0	0	18	8	645	2,286	(0)	0	663	2,294
Other Operating Expenses	7.8	0	0	0	0	9,534	6,061	5	5	9,539	6,065
Total Expenses		**195**	**9**	**1,591**	**1,024**	**127,098**	**136,168**	**2,523**	**2,689**	**131,407**	**139,891**
Surplus/(Deficit) for the Period	8.1	**(211)**	**(9)**	**(1,595)**	**3,166**	**7,510**	**(9,699)**	**46**	**108**	**5,750**	**(6,436)**

H.1. Segmental Reporting

Statement of Financial Position

Extra-Budgetary Funds

As at 31 December 2020

EUR '000		Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina		Fund for Activities Related to Economic and Environmental Aspect of Security		Funds for Activities Related to Special Monitoring Mission to Ukraine		Other PC Established Funds		Other Activities and Special Projects		Indirect Common Costs Fund		Total Extra-Budgetary Funds	
	Note	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
ASSETS															
Current Assets															
Cash and Cash Equivalents	3.1	0	0	0	0	0	0	1,674	0	29,291	13,311	0	0	30,965	13,311
Investments	3.2	0	0	0	0	0	0	13,685	7,608	20,000	0	0	0	33,685	7,608
Contributions Receivable	3.3	287	465	279	302	17	515	119	119	12,864	14,339	0	0	13,566	15,739
Accounts Receivable	3.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	3.5	0	1	0	0	0	1	0	0	32	16	0	0	33	19
Inventory	3.6	196	193	0	0	0	0	0	0	418	273	0	0	613	466
Inter-Fund Balances		689	1,083	1,577	1,488	5,353	3,644	(7,572)	681	11,762	37,129	1,565	1,113	13,374	45,139
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		1,172	**1,741**	**1,856**	**1,790**	**5,370**	**4,161**	**7,906**	**8,408**	**74,367**	**65,068**	**1,565**	**1,113**	**92,237**	**82,281**
Non-Current Assets															
Property, Plant and Equipment	3.8	183	231	17	15	1,246	2,071	0	0	263	72	0	0	1,709	2,389
Intangible Assets	3.9	45	59	0	0	17	36	0	0	252	52	0	0	313	147
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		228	**290**	**17**	**15**	**1,262**	**2,107**	**0**	**0**	**514**	**124**	**0**	**0**	**2,022**	**2,536**
Total Assets		**1,401**	**2,031**	**1,873**	**1,806**	**6,632**	**6,268**	**7,906**	**8,408**	**74,882**	**65,192**	**1,565**	**1,113**	**94,259**	**84,818**
LIABILITIES															
Current Liabilities															
Accounts Payable	4.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accruals	4.2	12	1	94	135	18	0	0	30	1,146	1,219	0	2	1,270	1,386
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	1,362	1,330	1,475	1,474	4,377	3,054	441	7,561	67,888	58,009	0	0	75,543	71,429
Funds Held for Third Parties	4.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	4.6	16	4	7	4	0	0	5	1	293	122	20	4	340	134
Cash Surplus Current	4.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Provisions	4.9	152	755	481	416	917	1,037	7,372	276	5,382	6,028	0	0	14,304	8,512
Other Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		1,543	**2,090**	**2,056**	**2,028**	**5,312**	**4,091**	**7,818**	**7,867**	**74,710**	**65,378**	**20**	**6**	**91,458**	**81,461**
Non-Current Liabilities															
Employee Benefits Non-Current	4.6	1	0	1	0	0	0	0	0	106	128	3	1	110	130
Cash Surplus Non-Current	4.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		1	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**106**	**128**	**3**	**1**	**110**	**130**
Total Liabilities		**1,543**	**2,091**	**2,057**	**2,028**	**5,312**	**4,091**	**7,818**	**7,867**	**74,816**	**65,506**	**22**	**6**	**91,568**	**81,591**
NET ASSETS															
Cash Surplus Withheld	5.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	2	2	8	8	(4)	(4)	0	0	(248)	(209)	(3)	(5)	(247)	(208)
Accumulated Surplus/(Deficit)	5.4	(144)	(61)	(191)	(231)	1,325	2,181	88	541	314	(106)	1,546	1,112	2,937	3,435
Total Net Assets		**(143)**	**(59)**	**(184)**	**(223)**	**1,320**	**2,176**	**88**	**541**	**66**	**(315)**	**1,543**	**1,106**	**2,691**	**3,227**

H.2. Segmental Reporting

Statement of Financial Performance

Extra-Budgetary Funds

For the Year Ended 31 December 2020

EUR '000	Note	Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina		Fund for Activities Related to Economic and Environmental Aspect of Security		Funds for Activities Related to Special Monitoring Mission to Ukraine		Other PC Established Funds		Other Activities and Special Projects		Indirect Common Costs Fund		*Eliminations*		Total Extra-Budgetary Funds	
		2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
REVENUE											***(Restated)***		***(Restated)***		***(Restated)***		***(Restated)***
Assessed Contributions	6.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Extra-Budgetary Contributions	6.2	796	1,043	1,263	1,666	11,622	12,585	74	(253)	16,757	28,303	734	1,027	(734)	(1,027)	30,512	43,343
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	0	0	0	0	0	0	0	0	172	194	0	0	0	0	172	194
Revenue from Exchange Transactions	6.5	0	0	0	0	(10)	23	0	0	(35)	0	0	0	0	0	(46)	24
Foreign Exchange Gains/(Losses)	6.6	7	1	(3)	(0)	14	(0)	(478)	344	(203)	(228)	0	0	0	0	(664)	116
Other Revenue	6.7	0	0	0	0	18	40	0	(40)	(1)	(4)	65	71	0	0	82	68
Total Revenue		**803**	**1,043**	**1,260**	**1,666**	**11,644**	**12,648**	**(405)**	**50**	**16,691**	**28,265**	**799**	**1,098**	**(734)**	**(1,027)**	**30,058**	**43,744**
EXPENSES																	
Staff Costs	7.1	397	290	250	91	5,387	8,278	38	12	5,439	5,215	290	214	0	0	11,800	14,099
Consultancy and Subcontracting	7.2	177	361	875	1,282	3,034	0	5	213	7,129	9,495	7	3	0	0	11,225	11,354
Travel Expenses	7.3	6	20	39	281	0	0	5	167	797	5,494	(0)	1	0	0	847	5,964
Services and Office Costs	7.4	192	279	42	104	337	110	1	49	1,201	4,974	58	77	0	0	1,830	5,592
Consumables and Supplies	7.5	14	96	5	2	393	58	0	2	454	316	1	0	0	0	866	474
Depreciation and Amortisation	7.6	83	69	8	6	951	2,664	0	5	53	52	0	0	0	0	1,096	2,796
Equipment Expenses	7.7	71	84	1	40	30	(39)	0	0	426	1,042	0	0	0	0	527	1,126
Other Operating Expenses	7.8	0	0	1	3	2,315	3,952	0	0	772	1,120	10	0	(734)	(1,027)	2,363	4,048
Total Expenses		**940**	**1,199**	**1,220**	**1,808**	**12,446**	**15,022**	**49**	**449**	**16,271**	**27,708**	**365**	**295**	**(734)**	**(1,027)**	**30,556**	**45,453**
Surplus/(Deficit) for the Period	8.1	**(137)**	**(155)**	**40**	**(142)**	**(802)**	**(2,374)**	**(453)**	**(399)**	**420**	**557**	**434**	**804**	**0**	**0**	**(498)**	**(1,709)**

ANNEX 2

BUDGET AND EXPENDITURE REPORT AND STAFFING OVERVIEW

OSCE 2020 Year-end Unified Budget Report

Fund Main Programme Programme	2020 Approved Budget*	PC Authorized Transfers**	Revised Budget	Transfers Fin. Reg. 3.02(b)	Revised Allotment after Transfers	Expenditure	Approved Utilization rate (%)	Revised Utilization rate (%)
Figures in EUR	A	B	C=A+B	D	E=C+D	F	G=F/A	G=F/E
I. FUNDS RELATED TO SECRETARIAT AND INSTITUTIONS								
The Secretariat								
Secretary General and Central Services								
Executive Management	1,165	0	1,165	(54)	1,111	1,096	94	99
Security Management	577	0	577	10	587	575	100	98
External Co-operation	673	0	673	0	673	665	99	99
Office of Legal Affairs	773	0	773	0	773	754	98	98
Communication and Media Relations Section	1,552	0	1,552	0	1,552	1,530	99	99
Conference and Language Services	5,430	0	5,430	0	5,430	5,347	98	98
The OSCE Documentation Centre in Prague	647	0	647	0	647	630	97	97
Gender Issues	446	0	446	45	491	490	110	100
TOTAL	**11,263**	**0**	**11,263**	**0**	**11,263**	**11,087**	**98**	**98**
Chairperson-in-Office								
Short-Term Mission/Visits of CiO and PR of the CiO	550	0	550	0	550	427	78	78
Advisory Committee on Management and Finance (ACMF)	15	0	15	0	15	5	32	32
Panel of Adjudicators	39	0	39	0	39	18	47	47
Audit Committee	49	0	49	0	49	2	4	4
External Auditors	100	0	100	0	100	30	30	30
TOTAL	**753**	**0**	**753**	**0**	**753**	**482**	**64**	**64**
Internal Oversight								
Internal Oversight	1,807	0	1,807	0	1,807	1,788	99	99
TOTAL	**1,807**	**0**	**1,807**	**0**	**1,807**	**1,788**	**99**	**99**
Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings								
Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings	1,107	0	1,107	0	1,107	1,092	99	99
TOTAL	**1,107**	**0**	**1,107**	**0**	**1,107**	**1,092**	**99**	**99**
Addressing Transnational Threats								
Co-ordination of TNT Activities	565	0	565	0	565	548	97	97
Strategic Police Matters Unit	749	0	749	0	749	732	98	98
Action Against Terrorism	888	0	888	0	888	868	98	98
Borders Security and Management	740	0	740	0	740	706	95	95
TOTAL	**2,942**	**0**	**2,942**	**0**	**2,942**	**2,854**	**97**	**97**
Activities Related to the Economic and Environmental Aspects of Security								
Co-ordinator of OSCE Economic and Environmental Activities	1,953	0	1,953	0	1,953	1,814	93	93
Economic and Environmental Forum	391	0	391	0	391	363	93	93
TOTAL	**2,344**	**0**	**2,344**	**0**	**2,344**	**2,176**	**93**	**93**

Fund Main Programme Programme	2020 Approved Budget*	PC Authorized Transfers**	Revised Budget	Transfers Fin. Reg. 3.02(b)	Revised Allotment after Transfers	Expenditure	Approved Utilization rate (%)	Revised Utilization rate (%)
Figures in EUR	**A**	**B**	**C=A+B**	**D**	**E=C+D**	**F**	**G=F/A**	**G=F/E**
Conflict Prevention								
CPC Direction and Management	471	0	471	16	486	486	103	100
Policy Support Service	1,480	0	1,480	0	1,480	1,468	99	99
Operations Service	1,166	0	1,166	0	1,166	1,147	98	98
Programming and Evaluation Support Unit	525	0	525	(6)	519	499	95	96
FSC Chairmanship	32	0	32	0	32	16	50	50
FSC Support	731	0	731	0	731	695	95	95
Communications and Technology Unit	636	0	636	(10)	626	590	93	94
TOTAL	**5,040**	**0**	**5,040**	**0**	**5,040**	**4,901**	**97**	**97**
Human Resources Management								
Department of Human Resources	3,784	0	3,784	0	3,784	3,784	100	100
TOTAL	**3,784**	**0**	**3,784**	**0**	**3,784**	**3,784**	**100**	**100**
Department of Management and Finance								
Management and Co-ordination	766	0	766	12	777	776	101	100
Budget and Finance Services	1,746	0	1,746	15	1,761	1,749	100	99
Information and Communication Technology Services	4,163	0	4,163	(5)	4,158	4,067	98	98
Mission Support Services	2,497	0	2,497	(21)	2,476	2,454	98	99
TOTAL	**9,172**	**0**	**9,172**	**(0)**	**9,172**	**9,046**	**99**	**99**
TOTAL FOR THE SECRETARIAT	**38,212**	**0**	**38,212**	**(0)**	**38,212**	**37,211**	**97**	**97**
Office for Democratic Institutions and Human Rights								
Direction and Policy	1,295	0	1,295	7	1,301	1,301	100	100
Fund Administration Unit	2,971	0	2,971	(186)	2,785	2,731	92	98
Human Dimension Meetings	603	0	603	0	603	108	18	18
Democratization	1,580	0	1,580	(60)	1,520	1,518	96	100
Human Rights	1,232	0	1,232	(91)	1,141	1,127	91	99
Elections	6,505	183	6,688	397	7,085	7,014	108	99
Tolerance and Non-Discrimination	1,418	(75)	1,344	(67)	1,276	1,237	87	97
Roma and Sinti Issues	556	0	556	0	556	544	98	98
TOTAL	**16,160**	**108**	**16,268**	**0**	**16,268**	**15,581**	**96**	**96**
High Commissioner on National Minorities								
Fund Administration Unit	526	0	526	52	578	564	107	97
Office of the High Commissioner	2,978	(54)	2,923	(52)	2,871	2,737	92	95
TOTAL	**3,504**	**(54)**	**3,450**	**0**	**3,450**	**3,301**	**94**	**96**
Representative on Freedom of the Media								
Freedom of the Media	1,609	(54)	1,555	0	1,555	1,534	95	99
TOTAL	**1,609**	**(54)**	**1,555**	**0**	**1,555**	**1,534**	95	**99**
TOTAL FOR FUNDS RELATED TO THE SECRETARIAT AND INSTITUTIONS	**59,485**	**(0)**	**59,485**	**0**	**59,485**	**57,626**	**97**	**97**

Fund Main Programme Programme	2020 Approved Budget*	PC Authorized Transfers**	Revised Budget	Transfers Fin. Reg. 3.02(b)	Revised Allotment after Transfers	Expenditure	Approved Utilization rate (%)	Revised Utilization rate (%)
Figures in EUR	A	B	C=A+B	D	E=C+D	F	G=F/A	G=F/E
II. FUNDS RELATED TO OSCE FIELD OPERATIONS								
AUGMENTATIONS								
Secretariat Augmentations								
Communication and Media Relations Section	113	0	113	(9)	104	104	92	99
Policy Support Service	242	0	242	(2)	240	239	99	100
Department of Human Resources	294	0	294	(17)	277	276	94	100
Management and Co-ordination	113	0	113	(11)	102	65	58	64
Budget and Finance Services	361	0	361	14	375	375	104	100
Information and Communication Technology Services	814	0	814	28	842	842	103	100
Mission Support Service	724	0	724	(2)	723	723	100	100
TOTAL	**2,662**	**0**	**2,662**	**0**	**2,662**	**2,624**	**99**	**99**
ODIHR Augmentations								
ODIHR Democratization	234	0	234	0	234	229	98	98
TOTAL	**234**	**0**	**234**	**0**	**234**	**229**	**98**	**98**
TOTAL FOR AUGMENTATIONS	**2,896**	**0**	**2,896**	**0**	**2,896**	**2,853**	**99**	**99**
SOUTH-EASTERN EUROPE								
Mission in Kosovo								
Office of Head of Mission	2,767	0	2,767	87	2,853	2,853	103	100
Fund Administration Unit	5,463	0	5,463	225	5,688	5,688	104	100
Security and Public Safety	1,590	0	1,590	(128)	1,462	1,462	92	100
Democratization	1,765	0	1,765	30	1,794	1,794	102	100
Human Rights and Communities	5,878	0	5,878	(213)	5,665	5,665	96	100
TOTAL	**17,463**	**0**	**17,463**	**0**	**17,463**	**17,461**	**100**	**100**
Mission to Bosnia and Herzegovina								
Office of Head of Mission	1,590	0	1,590	(31)	1,559	1,558	98	100
Fund Administration Unit	3,918	0	3,918	152	4,070	4,069	104	100
Shared Service Centre, ICT Help Desk	256	0	256	(14)	242	242	94	100
Security Co-operation	595	0	595	(39)	556	555	93	100
Human Dimension	5,324	0	5,324	(68)	5,256	5,254	99	100
TOTAL	**11,682**	**0**	**11,682**	**0**	**11,682**	**11,677**	**100**	**100**
Mission to Serbia								
Office of Head of Mission	978	0	978	11	989	988	101	100
Fund Administration Unit	1,701	0	1,701	96	1,797	1,790	105	100
Security Co-operation	945	0	945	(94)	851	829	88	97
Democratization	1,135	0	1,135	(25)	1,110	1,108	98	100
Media	429	0	429	40	469	469	109	100
Rule of Law and Human Rights	1,071	0	1,071	(28)	1,043	1,042	97	100
TOTAL	**6,259**	**0**	**6,259**	**0**	**6,259**	**6,227**	**99**	**99**

Fund Main Programme Programme	2020 Approved Budget*	PC Authorized Transfers**	Revised Budget	Transfers Fin. Reg. 3.02(b)	Revised Allotment after Transfers	Expenditure	Approved Utilization rate (%)	Revised Utilization rate (%)
Figures in EUR	**A**	**B**	**C=A+B**	**D**	**E=C+D**	**F**	**G=F/A**	**G=F/E**
Presence in Albania								
Office of Head of Mission	482	0	482	(42)	440	439	91	100
Fund Administration Unit	1,038	0	1,038	93	1,131	1,122	108	99
Security Co-operation	350	0	350	(2)	348	344	98	99
Governance in Economic and Environmental Issues	309	0	309	(11)	298	286	93	96
Democratization	435	0	435	(34)	401	394	91	98
Rule of Law and Human Rights	368	0	368	(5)	363	359	98	99
TOTAL	**2,981**	**0**	**2,981**	**0**	**2,981**	**2,944**	**99**	**99**
Mission to Skopje								
Office of Head of Mission	1,033	0	1,033	15	1,048	1,036	100	99
Fund Administration Unit	1,893	0	1,893	148	2,040	2,040	108	100
Public Safety and Community Outreach	1,781	0	1,781	17	1,798	1,778	100	99
Human Dimension	1,799	0	1,799	(180)	1,619	1,465	81	90
TOTAL	**6,506**	**0**	**6,506**	**0**	**6,506**	**6,319**	**97**	**97**
Mission to Montenegro								
Office of Head of Mission	316	0	316	9	325	319	101	98
Fund Administration Unit	604	0	604	(9)	595	584	97	98
Democratization	468	0	468	7	475	454	97	95
Media	362	0	362	5	366	316	87	86
Security Co-operation and Governance	403	0	403	(12)	391	367	91	94
TOTAL	**2,152**	**0**	**2,152**	**0**	**2,152**	**2,040**	**95**	**95**
TOTAL FOR SOUTH-EASTERN EUROPE	**47,043**	**0**	**47,043**	**0**	**47,043**	**46,667**	**99**	**99**
EASTERN EUROPE								
Mission to Moldova								
Office of Head of Mission	444	0	444	11	455	447	101	98
Fund Administration Unit	839	0	839	(22)	817	805	96	99
Conflict Prevention/Resolution	535	0	535	6	541	531	99	98
Human Rights	485	0	485	5	490	473	97	96
TOTAL	**2,303**	**0**	**2,303**	**0**	**2,303**	**2,255**	**98**	**98**
Project Co-ordinator in Ukraine								
Office of Head of Mission	329	0	329	(5)	324	306	93	95
Fund Administration Unit	924	0	924	25	949	910	99	96
Democratization and Good Governance	484	0	484	(5)	479	451	93	94
Rule of Law and Human Rights	780	0	780	(5)	775	744	95	96
Human Security	590	0	590	(5)	585	562	95	96
Economic, Environmental and Politico-Military Projects	512	0	512	(5)	507	487	95	96
TOTAL	**3,619**	**0**	**3,619**	**0**	**3,619**	**3,461**	**96**	**96**
Representative to the Latvian-Russian Joint Commission on Military Pensioners								
Office of Head of Mission	6	0	6	0	6	2	36	36
TOTAL	**6**	**0**	**6**	**0**	**6**	**2**	36	**36**
TOTAL FOR EASTERN EUROPE	**5,927**	**0**	**5,927**	**0**	**5,927**	**5,718**	**96**	**96**

Fund Main Programme Programme	2020 Approved Budget*	PC Authorized Transfers**	Revised Budget	Transfers Fin. Reg. 3.02(b)	Revised Allotment after Transfers	Expenditure	Approved Utilization rate (%)	Revised Utilization rate (%)
Figures in EUR	**A**	**B**	**C=A+B**	**D**	**E=C+D**	**F**	**G=F/A**	**G=F/E**
CAUCASUS								
High-Level Planning Group								
Office of Head of Mission	248	0	248	0	248	180	73	73
TOTAL	**248**	**0**	**248**	**0**	**248**	**180**	**73**	**73**
The Minsk Process								
Office of Head of Mission	911	0	911	0	911	717	79	79
TOTAL	**911**	**0**	**911**	**0**	**911**	**717**	**79**	**79**
Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference								
Office of Head of Mission	462	0	462	0	462	453	98	98
Fund Administration Unit	718	0	718	0	718	586	82	82
TOTAL	**1,180**	**0**	**1,180**	**0**	**1,180**	**1,040**	**88**	**88**
TOTAL FOR CAUCASUS	**2,339**	**0**	**2,339**	**0**	**2,339**	**1,937**	**83**	**83**
CENTRAL ASIA								
Programme Office in Nur-Sultan								
Office of Head of Mission	230	0	230	0	230	212	92	92
Fund Administration Unit	662	0	662	10	672	669	101	100
Politico-Military Activities	446	0	446	0	446	409	92	92
Economic and Environmental Activities	449	0	449	0	449	415	92	92
Human Dimension Activities	446	0	446	(10)	436	323	72	74
TOTAL	**2,233**	**0**	**2,233**	**0**	**2,233**	**2,028**	**91**	**91**
Centre in Ashgabat								
Office of Head of Mission	404	0	404	0	404	401	99	99
Fund Administration Unit	526	0	526	1	527	527	100	100
Conflict Prevention and Confidence and Security Building	251	0	251	0	251	251	100	100
Economic and Environmental Activities	252	0	252	0	252	252	100	100
Human Dimension Activities	227	0	227	(1)	227	225	99	99
TOTAL	**1,661**	**0**	**1,661**	**0**	**1,661**	**1,656**	**100**	**100**
Programme Office in Bishkek								
Office of Head of Mission	1,215	0	1,215	4	1,219	1,215	100	100
Fund Administration Unit	1,365	0	1,365	(24)	1,341	1,341	98	100
Politico-Military Activities	1,403	0	1,403	(40)	1,363	1,329	95	98
Economic and Environmental Activities	1,596	0	1,596	(25)	1,571	1,557	98	99
Human Dimension Activities	1,232	0	1,232	85	1,317	1,313	107	100
TOTAL	**6,811**	**0**	**6,811**	**0**	**6,811**	**6,755**	**99**	**99**
Project Co-ordinator in Uzbekistan								
Office of Head of Mission	267	0	267	(6)	261	259	97	99
Fund Administration Unit	514	0	514	31	545	544	106	100
Politico-Military Activities	516	0	516	(11)	505	501	97	99
Economic and Environmental Activities	655	0	655	(4)	651	650	99	100
Human Dimension Activities	548	0	548	(10)	538	532	97	99
TOTAL	**2,499**	**0**	**2,499**	**0**	**2,499**	**2,486**	**99**	**99**

Fund Main Programme Programme	2020 Approved Budget*	PC Authorized Transfers**	Revised Budget	Transfers Fin. Reg. 3.02(b)	Revised Allotment after Transfers	Expenditure	Approved Utilization rate (%)	Revised Utilization rate (%)
Figures in EUR	**A**	**B**	**C=A+B**	**D**	**E=C+D**	**F**	**G=F/A**	**G=F/E**
Programme Office in Dushanbe								
Office of Head of Mission	1,169	0	1,169	0	1,169	1,099	94	94
Fund Administration Unit	2,036	0	2,036	0	2,036	2,023	99	99
Political and Military Aspects of Security	1,857	0	1,857	0	1,857	1,818	98	98
Economic and Environmental Activities	1,112	0	1,112	0	1,112	1,095	98	98
Human Dimension Activities	1,138	0	1,138	0	1,138	1,114	98	98
TOTAL	**7,312**	**0**	**7,312**	**0**	**7,312**	**7,149**	**98**	**98**
TOTAL FOR CENTRAL ASIA	**20,516**	**0**	**20,516**	**0**	**20,516**	**20,073**	**98**	**98**
TOTAL FOR FUNDS RELATED TO THE OSCE FIELD OPERATIONS	**78,720**	**0**	**78,720**	**0**	**78,720**	**77,248**	**98**	**98**
TOTAL OSCE UNIFIED BUDGET	**138,204**	**(0)**	**138,204**	**0**	**138,204**	**134,875**	**98**	**98**

*The 2020 OSCE Unified budget was approved by the Permanent Council Decision 1369

**The Budget Transfer for ODIHR of EUR 108,300 (PC.DEC/1385)

Staffing Overview - Budget and Actual Staff Positions
Unified Budget
as at 31 December 2020

Fund number of positions	International Staff Contracted		Seconded		Sub-Total		Local Staff Professional		General Services		Sub-Total		Grand Total	
	Budget	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
The Secretariat	143.8	127.0	70.0	54.0	213.8	181.0	0.0	0.0	183.0	172.5	183.0	172.5	396.8	353.5
Office for Democratic Institutions and Human Rights	63.0	58.0	23.0	16.0	86.0	74.0	0.0	0.0	56.0	48.5	56.0	48.5	142.0	122.5
High Commissioner on National Minorities	16.0	15.0	5.0	3.0	21.0	18.0	0.0	0.0	11.5	11.0	11.5	11.0	32.5	29.0
Representative on Freedom of the Media	7.0	6.0	6.0	4.0	13.0	10.0	0.0	0.0	4.0	4.0	4.0	4.0	17.0	14.0
Total for the Secretariat and Institutions	**229.8**	**206.0**	**104.0**	**77.0**	**333.8**	**283.0**	**0.0**	**0.0**	**254.5**	**236.0**	**254.5**	**236.0**	**588.3**	**519.0**
Mission in Kosovo	7.0	6.0	110.0	83.0	117.0	89.0	104.0	98.0	276.0	268.0	380.0	366.0	497.0	455.0
Mission to Bosnia and Herzegovina	5.0	5.0	29.0	26.0	34.0	31.0	135.0	132.0	145.5	143.5	280.5	275.5	314.5	306.5
Mission to Serbia	1.0	1.0	21.0	19.0	22.0	20.0	35.0	34.0	67.0	64.0	102.0	98.0	124.0	118.0
Presence in Albania	1.0	1.0	18.0	16.0	19.0	17.0	19.0	19.0	45.5	41.5	64.5	60.5	83.5	77.5
Mission to Skopje	2.0	2.0	36.0	29.0	38.0	31.0	26.0	25.0	89.5	86.5	115.5	111.5	153.5	142.5
Mission to Montenegro	1.0	1.0	8.0	7.0	9.0	8.0	8.0	8.0	15.0	14.0	23.0	22.0	32.0	30.0
South-Eastern Europe	**17.0**	**16.0**	**222.0**	**180.0**	**239.0**	**196.0**	**327.0**	**316.0**	**638.5**	**617.5**	**965.5**	**933.5**	**1,204.5**	**1,129.5**
Mission to Moldova	1.0	1.0	12.0	12.0	13.0	13.0	9.0	9.0	31.0	29.0	40.0	38.0	53.0	51.0
Project Co-ordinator in Ukraine	1.0	1.0	2.0	2.0	3.0	3.0	24.0	24.0	25.0	25.0	49.0	49.0	52.0	52.0
Eastern Europe	**2.0**	**2.0**	**14.0**	**14.0**	**16.0**	**16.0**	**33.0**	**33.0**	**56.0**	**54.0**	**89.0**	**87.0**	**105.0**	**103.0**
High Level Planning Group	0.0	0.0	8.0	6.0	8.0	6.0	0.0	0.0	1.0	1.0	1.0	1.0	9.0	7.0
Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference	1.0	1.0	5.0	5.0	6.0	6.0	0.0	0.0	11.0	11.0	11.0	11.0	17.0	17.0
Caucasus	**1.0**	**1.0**	**13.0**	**11.0**	**14.0**	**12.0**	**0.0**	**0.0**	**12.0**	**12.0**	**12.0**	**12.0**	**26.0**	**24.0**
Programme Office in Nur-Sultan	1.0	1.0	5.0	5.0	6.0	6.0	4.0	4.0	18.0	17.0	22.0	21.0	28.0	27.0
Centre in Ashgabat	1.0	1.0	5.0	4.0	6.0	5.0	2.0	2.0	21.0	19.0	23.0	21.0	29.0	26.0
Programme Office in Bishkek	3.0	3.0	10.0	10.0	13.0	13.0	23.0	22.0	87.0	68.0	110.0	90.0	123.0	103.0
Project Co-ordinator in Uzbekistan	0.0	0.0	4.0	3.0	4.0	3.0	6.0	6.0	29.0	28.0	35.0	34.0	39.0	37.0
Programme Office in Dushanbe	4.0	3.0	18.0	16.0	22.0	19.0	20.0	18.0	90.0	81.0	110.0	99.0	132.0	118.0
Central Asia	**9.0**	**8.0**	**42.0**	**38.0**	**51.0**	**46.0**	**55.0**	**52.0**	**245.0**	**213.0**	**300.0**	**265.0**	**351.0**	**311.0**
Total fof Funds Related to OSCE Field Operations	**29.0**	**27.0**	**291.0**	**243.0**	**320.0**	**270.0**	**415.0**	**401.0**	**951.5**	**896.5**	**1,366.5**	**1,297.5**	**1,686.5**	**1,567.5**
Total OSCE 2020 Unified Budget Post Table	**258.8**	**233.0**	**395.0**	**320.0**	**653.8**	**553.0**	**415.0**	**401.0**	**1,206.0**	**1,132.5**	**1,621.0**	**1,533.5**	**2,274.8**	**2,086.5**

Staffing Overview - Budget and Actual Staff Positions
Unified Budget
as at 31 December 2020

Fund number of positions	International Staff						Local Staff						Grand Total	
	Contracted		Seconded		Sub-Total		Professional		General Services		Sub-Total			
	Budget	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
Special Monotoring Mission to Ukraine	48.0	28.0	972.0	815.0	1,020.0	843.0	55.0	44.0	475.0	409.0	530.0	453.0	1,550.0	1,296.0
Observer Mission to the Two Russian Checkpoints	0.0	0.0	22.0	23.0	22.0	23.0	0.0	0.0	1.0	1.0	1.0	1.0	23.0	24.0
Total Special Purpose Funds	**48.0**	**28.0**	**994.0**	**838.0**	**1,042.0**	**866.0**	**55.0**	**44.0**	**476.0**	**410.0**	**531.0**	**454.0**	**1,573.0**	**1,320.0**

ANNEX 3

STATEMENT ON INTERNAL CONTROL

Organization for Security and Co-operation in Europe

Statement on Internal Control for 2020

26 March 2021

Scope of responsibility

As Secretary General of the OSCE, I am responsible to the Permanent Council for the efficient use of the Organization's resources, in accordance with the responsibility assigned to me, including under Ministerial Council Decision No. 15/04. To this end, I have established mechanisms of internal oversight and financial control in accordance with "Financial Regulation 6.01: Principles".

Purpose of the system of internal control

An internal control system is designed to reduce and manage the risk of failure and capitalize on opportunities to achieve an organization's aims, objectives, and related policies. However, it can only provide a reasonable assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.

Internal control is a process of systematic measures effected by the Permanent Council, the Secretary General, the Fund Managers, senior management, and other OSCE officials, and is designed to provide reasonable assurance on the following internal control objectives:

- Achievement of organizational program objectives and outcomes,
- Effectiveness and efficiency of operations,
- Safeguarding of assets,
- Reliability, accurateness and completeness of the recording of transactions and the related financial reporting process, and
- Compliance with the OSCE's Common Regulatory Management System (CRMS).

This statement on the OSCE's internal control system, as described above, applies for the year ended 31 December 2020, and up to the date of approval of the OSCE's financial statements.

Risk management and internal control framework

The OSCE established and continuously improves a risk management framework that sets out an integrated risk concept covering both major risks that affect the Organization as whole and operational risks that affect individual executive structures, programmes, and projects. The risk management framework allows for:

- Identification of risks classified according to relevance, impact and probability of occurrence based on the guidance on management of administrative, security and project-related risks. The guidance sets out the scope, basic concepts and mechanisms underlying risk management and enables OSCE staff to identify, evaluate, and manage risks applicable to their executive structures,
- Assessment of the major risks affecting the OSCE's mandate and objectives at senior management level, which utilizes the insight and judgement of senior management across the Organization,
- Continued training and awareness-raising in risk management,
- Periodic and ad hoc reviews of risk management and the operation of the risk management framework.

In addition, a comprehensive internal control framework that includes, along with the Risk Management process, the support of executive management, the CRMS, and established automated and manual control and monitoring activities, has been designed to ensure that the OSCE's objectives are achieved efficiently, underpinned by ethical values and principles. This framework comprises Ministerial/Permanent Council decisions related to management of the OSCE's activities, the OSCE Code of Conduct, the Financial Regulations, Staff Regulations and Staff Rules, financial/ administrative and security instructions, which provide the mechanisms for managing the financial, human and material resources of the OSCE. The framework also includes a co-ordinated review in the Secretariat of all executive structures' Unified Budget programmes, application of Performance Based Programme Budgeting, and Unified budgetary projects planned for the Secretariat and the field operations, to ensure compliance with the CRMS and respective mandates. The institutions conduct their own reviews.

The resources entrusted to the OSCE by participating States demands that it is accountable for them and has a robust system of internal controls and that these controls are properly applied. The decentralized nature of the Organization and its limited central oversight capability requires considerable reliance on the Fund Managers and CFAs' statements about the effectiveness of the internal controls at executive structures. Furthermore, a procedure is in place for consideration of Exception Requests, bringing deviations from the CRMS to my attention for approval.

Nevertheless, I take note that Risk Management remains to this day largely absent from the Organization's CRMS, the relevant processes still appear insufficiently integrated with strategy setting and results-based management, and that actual risk management practices require strengthening and harmonization across the Organization. In the last years, the Department of Management and Finance (DMF) has initiated an effort to modernize and improve the Organization's risk management framework.

My senior management team and I are committed to a continuous improvement programme to strengthen the system of internal control across the OSCE, including through the implementation of IT-based solutions and improving and updating the CRMS as well as increasing monitoring control activities, were feasible within current resources' constraints

Review of effectiveness

In accordance with Ministerial Council Decision No. 15/04, Permanent Council Decision No. 705, and other decisions of the participating States, I serve as the Chief Administrative Officer for the Organization, vested with executive and administrative authorities to oversee the effective and efficient use of OSCE resources. The governance structure of the OSCE relies on a decentralized fund management structure with dual reporting lines for the executive structures. Fund Managers report directly to the Chairperson-in-Office on policy and programmatic matters and to me on administrative matters. This architecture has the potential to result in challenges when exercising my role as Chief Administrative Officer. To address these challenges, regular calls have been introduced between the Director of the Department of Management and Finance (DMF) and Chiefs of Fund Administration (CFAs) on key internal control issues. Re-invigorating the discussions on strengthening the administrative reporting lines of the CFAs would have a positive effect on internal controls and translate into a reinforcement of the Common Regulatory Management System.

Taking this into account, my review of the effectiveness of the system of internal controls is mainly informed by:

- The Conflict Prevention Centre (CPC), which through its co-ordinated review of the implementation of Financial/Administrative Instruction 04/2004, ensures that all extra-budgetary projects planned by the Field Operations and the Secretariat comply with the CRMS and OSCE project management standards, while the Institutions carry out their own review. CPC also ensures a robust CRMS, monitoring of control activities and a regular review of UB and ExB project management.
- Fund Managers of the executive structures, as well as Main Programme Managers at the Secretariat who are accountable for expected results, performance, controlling their executive structure's activities and the resources entrusted to them. The Letters of Representation previously submitted by Fund Managers have been replaced with more comprehensive Letters of Attestation (LoA), which are cross checked with

OIO based on their findings. LoA are now supported by Internal Control Walkthroughs designed to test the working of control systems in selected key business processes and report on any weaknesses found and remedial measures planned or implemented.

- The Department of Management and Finance (DMF) and the Department of Human Resources (DHR) ensuring a robust CRMS and DMF's co-ordination and monitoring of control activities and the risk management process.
- The Office of Internal Oversight (OIO) carrying out internal audits, evaluations, advisory services and investigations. Reports on the results of these activities include independent and objective information on the adequacy and effectiveness of the OSCE's system of internal controls and on programme effectiveness, together with recommendations for improvement.
- The Audit Committee.
- The External Auditors.
- The participating States' observations.

Limitations on the effectiveness of internal controls

The effectiveness of the system of internal controls is subject to the limitations imposed by factors identified below. To date, these factors have been mitigated and managed by the Organization to the extent possible. The ability to continue to provide this mitigation is subject to sufficient resources, specific circumstances and vigilant monitoring.

Inadequate resources

Legal, structural, security and financial risks continue to exist and/or are increasing. This is exacerbated by continued underfunding of the Organization. As a result, the capacity of the Organization to implement and operate necessary procedures and controls across all executive structures is increasingly eroded. The Organization needs to have the resources to be able to react to internal control recommendations. Efforts to strengthen governance and the internal justice system remain high on the agenda with an emphasis on improving early resolution of disputes. The Audit Committee has also highlighted the risks to the Organization as a consequence of long-term underfunding of the organization. However, risk mitigating measures put forward as part of the 2020 and 2021 Unified Budget Proposals have not resulted in a significant strengthening of resources dedicated to internal controls.

In line with Audit Committee recommendations, a mapping of the "second line of defense" in the OSCE was completed in early 2020 by the OIO, covering functional areas for which I fulfil Organization-wide responsibilities and bear ultimate accountability to the participating States. OIO found that, in most of the functional areas reviewed, monitoring control activities required improvement.

However, this mapping also highlighted that the Secretariat was not adequately resourced to fulfil the Organization-wide responsibilities of the Secretary General through relevant monitoring control activities. The overall evaluation culture in the organization needs to be strengthened, including in particular the number, quality and the use of evaluations commissioned by executive structures.

Knowledge management challenges

Internal controls rely first and foremost on the competency, capacity and continuity of a professional staff. High staff turnover, increases in the vacancy rate, underfunding of staff costs to meet financial targets, difficulties in attracting top talent and filling posts due to non-competitive compensation, and limited periods of service continue to negatively affect knowledge management and retention in the Organization, and lead to higher costs over time.

The remote working situation, compounded with years of under-resourced ICT created significant challenges. Many of those were overcome quickly due to decisive action by the Secretariat. Others, including limited e-mail data storage, continues to create additional workload and necessitates manual work.

Impact of political environment on management

The OSCE operates in a political environment characterized by tensions and conflicts between OSCE participating States. Very often, this situation has a negative spillover into the governance and administration of the OSCE through a politicization of management-related decisions requiring the consensus of the participating States. Related delays in effectively responding to identified weaknesses have had a negative impact on organizational efficiency and resulted in additional risks for the organization.

Change of field operation mandates or closure of mission

The mandates of most field operations are subject to periodic renewal (annually or more frequently, depending on the mission) by the Permanent Council. It is therefore possible that a mandate is not renewed in good time; is subject to substantive changes at the request of the host country or other participating States; is not extended at the request of the host country; or when consensus on extension cannot be reached, is forced to close. This imposes significant administrative and resource burdens on the Organization and creates uncertainty as to the legal status of the affected field operations and the OSCE staff assigned to them, due to lack of clarity as to the continuing validity of the relevant bilateral agreement or MoU. In particular, the four-month mandate of the Observation Mission at two Russian Checkpoints Gukovo and Donetsk, and regularly late extensions, also impose additional legal and administrative burdens and costs on the Mission and its staff.

Security Environment of the Special Monitoring Mission to Ukraine

The unpredictable and volatile environment in which the Special Monitoring Mission (SMM) to Ukraine continues to operate in eastern Ukraine was underlined by the 23 April 2017 incident in which an SMM armoured vehicle hit what was later determined to be an anti-tank mine, resulting in the death of a Mission paramedic and injury of two patrol members. Building on the previous risk mitigation measures and recommendations resulting from (1) an Internal investigation by the OIO, (2) an independent forensic investigation into the incident, and (3) a Security System Review led by the Office of the Secretary General/Security Management, the SMM in conjunction with the OSG Security Management team and CPC developed a new Framework of Security and several standard operating procedures (task force documents) in order to enhance security and improve risk management of the mission. Additionally, OSG/Security Management has developed a new system of enhancing operational decision-making through a more effective security risk assessment methodology, which was delivered through training to OSCE security officials in 2020.

Despite the longest-holding recommitment to ceasefire that came into force on 27 July 2020 and the reduction of ceasefire violations, significant risks continue to exist, including; weapons being fired in close proximity to monitors or monitors being caught in exchanges of fire; mines, unexploded ordnance and other explosive remnants of war; and road accidents. Threats include antagonistic behaviour towards monitors and other mission members, restriction of movements by armed elements; the direct targeting of mission assets (e.g., unmanned aerial vehicles, cameras), and challenges and potential liabilities relating to securing SMM accommodation in conflict-affected areas. To mitigate some of the risks in OSCE Field operations, the Security Management organized and facilitated a Hostage Incident Management course which was successfully completed in 2020.

Following withdrawal of the Russian Federation from the Joint Centre for Control and Co-ordination in Ukraine (JCCC) in December 2017, the SMM has put procedures in place to continue to operate on both sides of the contact line while maintaining security guaranties from the sides. In 2020 additional restrictions were introduced by armed formations on movement of staff across the line of contact in relation to COVID-19, which impacted the coherence of eastern teams and crossings for monitoring officers deployed in Donetsk and Luhansk MTs, including for potential evacuation. To mitigate the risk, the SMM decided to relocate monitoring officers from the vulnerable groups to government-controlled areas. The CPC remained in close contact with the Mission and the Chair to facilitate possible responses to these challenges.

Information Security

As reported previously, in recent years the OSCE has faced a series of major information security incidents, putting at risk the confidentiality, integrity and availability of our ICT systems and information. Despite recent strengthening measures, the ICT infrastructure remains vulnerable to cyber-attacks and there is still a risk of similar ongoing incidents recurring. The ICT and Information Security budgets and available human resources at the OSCE are well below averages at comparable organizations, impairing the level and scope of information security controls that we are able to offer. There is limited central oversight of the information security posture OSCE-wide, resulting in reduced enforcement of policies and standards across the executive structures.

To mitigate these risks, DMF has been implementing an Information Security Plan (ISP) and an Information Security Management System (ISMS) to bolster technical controls, enhance oversight and strengthen information security management across the OSCE. Several mitigation measures have already been put in place. These include the creation of a Security Operations Centre, the introduction of security controls for preventing and detecting cyber-security incidents, establishment of threat intelligence exchange with relevant external parties from international organizations and governments, inclusion of information security in the internal control walkthroughs and improved security awareness training for staff. Other key measures are under development, including the implementation of an OSCE-wide information security management system (a new policy was published in January 2021), enhancement of the second line of defense activities, the replacement of the compromised and vulnerable infrastructure (started in 2019 following funding approval by the pS) and the implementation of an OSCE-wide incident-detection system (expected to be completed in Q2 2021).

Significant matters to report in 2020

The Significant Matters noted for 2019 affecting the integrity of the control environment of the OSCE continued to exist in 2020. The following is a summary of the issues and progress made since last year as well as new issues:

Challenges related to the COVID-19 Pandemic

Due to the quick transition to remote working during the COVID-19 pandemic, some processes had to be adapted to ensure business continuity and efficiency. Tele-working arrangements thereby served as a catalyst for the rollout of simplified and paperless processes. For example, electronic approval flows and signatures have been introduced, and the filing system had to be switched from paper-based to electronic. While this shift has allowed to keep services running without interruptions, these processes have to be further strengthened and institutionalized to ensure continued remote and paperless delivery. Going forward and building on our experience, a further streamlining, simplification and automation of business processes is foreseen.

The emergence of the COVID-19 pandemic further highlighted the risks posed by disruptive events to the ability of the Organization to deliver its mandate and, as a result, my senior management team has developed a plan of actions to strengthen and consolidate its preparedness for future disruptive events over the coming years.

The Legal Framework of the OSCE

As noted in prior years, the lack of a uniform set of privileges and immunities across the Organization continues to pose legal, financial and compliance risks for the OSCE.

- The Organization remains dependent on bilateral arrangements with, or the national legislation of, participating States to serve as various legal base for the legal capacity of field operations as well as the privileges and immunities of field operations and of the OSCE officials assigned to them. This fragmented structure results in a lack of uniformity and certainty regarding the existence, scope, and extent of such privileges and immunities and carries the added risk that a participating State may unilaterally cease to recognize a bilateral arrangement or terminate it. Similarly, in those participating States where the OSCE carries out activities but does not have an established field presence, and where there is no bilateral arrangement or national legislation in place granting the OSCE appropriate status and protection, the Organization's ability to conduct basic operational functions can be impaired.

- Extended negotiations over MoUs covering OSCE executive structures in certain countries mean continued uncertainty about matters concerning privileges and immunities and the tax status of certain staff in some field operations. The absence of MoUs or other agreements also means there is no clarity on the status of OSCE officials and activities in a number of countries where the OSCE is active but where there is no established field operation. Work continues, albeit with significant delays, to secure appropriate bilateral MOUs or other agreements to clarify the status of OSCE staff and activities in countries with field operations or significant programmatic activity.

- The issue of local staff income tax also continues to be of concern, despite a 2020 decision by the OSCE Panel of Adjudicators upholding the Secretary General's decision not to refund taxes paid by a local mission member where there was no reimbursement from the taxing state. The Local Staff Income Tax Task Force in the Secretariat continues to liaise with affected field operations with a view to developing recommended actions (both political and legal measures) to resolve the overall problem, as well as to find solutions to specific issues arising in this respect in individual field operations. Supported by CPC, DMF, and the Office of Legal Affairs, I intend to continue past practice of raising this issue with taxing States at the highest levels.

Scales of Contribution

The participating States have failed to reach consensus on a systematic reform of scales of contribution, while an interim solution for 2019 expired on 31 December 2019. Since that time, OSCE assessments have been billed on a provisional basis for the Unified Budget and the Special Monitoring Mission to Ukraine. Some participating States continue to find it difficult to pay their assessments based on expired Scales, which results in increased financial risk to the Organization.

Secondment; conditions and periods of service

The Organization's staffing levels and structure, the conditions and periods of service of OSCE staff and the continued issue of low numbers of nominations by participating States of qualified, in particular female candidates for seconded posts, remain a challenge to the OSCE's efficiency and ability to deliver on its commitments. To enhance the effectiveness of the staffing framework and strengthen the integrity of the internal control framework, proposals to both adopt a modified tenure policy (which foresees the preservation of the non-career nature of the OSE's employment policy), and to enhance the secondment system, have been developed. Discussions on secondment reforms have been ongoing with the participating States since 2018, with proposals related to periods of service for secondees in the field operations not yet agreed. In 2020, as part of a comprehensive approach to put staff costs on a more sustainable footing, a number of proposals on modernizing the staff contract policy in order to reduce costs have been made and discussions on those will continue in 2021.

Special Monitoring Mission in Ukraine (SMM) budget format

The SMM, which is financed by assessed and voluntary contributions of pS, does not fully apply the Performance Based Programme Budgeting methodology standards of the OSCE for its budget submission and reporting. Noting some progress in previous years, this will be further developed with preparation of the SMM 2022/2023 budget submission.

Conclusion

Effective internal control, no matter how well designed, has inherent limitations – including the possibility of circumvention – and, therefore, can provide only reasonable assurance. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

I am committed to improving the internal control environment, as well as accountability and oversight. The measures described above were implemented to address the internal control issues identified in 2020 and previous years, within the limitations of available resources. As a priority, we will continue to work on initiatives to safeguard the OSCE's capacity to deliver on its mandate, increase its effectiveness and efficiency and strengthen the internal control system; noting that decentralization continues to be a risk.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses which would prevent the External Auditor from providing an unqualified opinion on the OSCE's financial statements, nor are there other significant matters arising which would need to be raised in the present document for the year ended 31 December 2020.

for
Helga Maria Schmid
OSCE Secretary General

ANNEX 4

REPORT OF THE EXTERNAL AUDITOR

Cour des comptes
FRANCE

EXTERNAL AUDIT OF THE ORGANISATION FOR SECURITY AND CO-OPERATION IN EUROPE

AUDIT REPORT

Financial year 2020

COUR DES COMPTES REFERENCE: OSCE-2021-1

OSCE

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TABLE OF CONTENTS

INTRODUCTION

1. Background of the audits

1. In the first year of his mandate at the Organization for Security and Co-operation in Europe (OSCE), the External Auditor carried out four audits, which, after clearance, resulted in:

- on the one hand, an opinion and a report on the 2020 Financial Statements, a performance report on Human Resources management, both of which gave place to clearance with the Department of Management and Finance (DMF), and two management letters relating to field operations (OSCE Mission in Kosovo – "OMiK", and Programme Office in Dushanbe – "POiD") which were sent to the Heads of Missions and copied to Secretary General for clearance;

- on the other hand, the present "long report" which summarizes all these audits, and which is addressed to the Advisory Committee on Management and Finance (ACMF) and to the Permanent Council (PC).

2. The following table shows the chronology and scope of these audits, mentioning the management letters sent to the Secretary General and/or Heads of Missions at the end of these audits.

Table 1. Review of the External Auditor's work on the 2020 financial year

Scope	Observations	
	draft	**final**
Opinion	**-**	**30/06/2021**
Report on 2020 financial statements	**24/06/2021**	**06/07/2021**
Human resources (HR)	**07/07/2021**	**23/072021**
OSCE Mission in Kosovo (OMiK)	**08/07/2021**	**04/08/2021**
Programme Office in Dushanbe (POiD)	**16/07/2021**	**03/08/2021**

Source: External Auditor.

3. The financial audit, with the opinion on the financial statements as at 31 December 2020, was partly carried out remotely due to the Covid-19 pandemic. The other three audits (HR, OMiK and POiD) were postponed to June and July so that they could be carried out on-site.

2. Summary of major recommendations

4. The recommendations resulting from these audits have been ranked in order of priority:

- ***priority 1***, a fundamental point, which requires immediate attention from management. This point corresponds to the existence of a high level of risk to the objectives of the Organisation;

- ***priority 2,*** control point of a less urgent nature, which must be handled by management. This point corresponds to an intermediate level of risk;

- ***priority 3,*** point on which controls could be improved and to which the management's attention is drawn. This point corresponds to a moderate level of risk.

5. This report contains 22 recommendations – eight for Financial Statements, eleven for Human Resources, one for the Mission in Kosovo and three for the Programme Office in Dushanbe, of which nine are ranked priority 1, thirteen are ranked priority 2 and one is ranked priority 3.

6. The nine most important observations (priority 1) relate to:

Recommendations related to the audit of 2020 Financial Statements

Recommendation No. 1 (*Priority 1*). In the area of IT management, the External Auditor recommends to:

- draw up a business continuity plan by the end of 2021, jointly with the operational divisions and the IT division. The business continuity plan will have to be subject to formalized tests;

- update in real time the HR tool and IRMA with the contract data which are used to manage access authorizations to the system;

- restrict the number of accounts with rights considered incompatible in the separation of duties matrix. If, for reasons of operational continuity, some incompatible accesses must be maintained, semi-annual tests should be implemented on the compensatory checks carried out a posteriori on the actions made by the user accounts.

Recommendation No. 5 (*Priority 1*). In order to avoid any further ambiguity concerning the scope of his opinion on the OSCE's financial statements, the External Auditor recommends the Permanent Council to replace Article 7.02 (vi) of the Financial Regulation by a provision stating that, in addition to the five usual financial statements and related notes, segment reporting is to be provided, in compliance with established practices.

Recommendation No. 6 (*Priority 1*). The External Auditor recommends the OSCE services to implement, as from financial year 2021, a SMM budgetary reporting system and an accounting procedure for SMM fund transactions ensuring that the mission's expenditure and income are accounted for in the Financial Statements in strict compliance with IPSAS.

Recommendation No. 7 (*Priority 1*). The External Auditor recommends to include, from 2021, in the first chapter of the Programme Budget Performance Report (PBPR) sufficient information to give to the reader a comprehensive view on the OSCE's budgetary/extra-budgetary activities, i.e.:

- Unified Budget established posts vacancies;
- Unified Budget and the OSCE Special Monitoring Mission to Ukraine (SMM) surplus/deficit on assessed contributions;
- total average workforce (UB + SMM + ExB), if possible expressed in Full Time Equivalent and using the traditional PBPR breakdown presentations (geographical location, functional/operational activities, categories of expenditure, categories of staff).

Recommendation No 8. (*Priority 1*). The External Auditor requests taking the necessary technical measures to avoid future recurrences of IPSAS 4 non-compliant valuations of foreign currency assets at year-end, which distort the estimate of the surplus presented in the annual Statement of Financial Position.

Recommendations related to the audit of Human Resources Management

Recommendation No. 2 (Priority 1). The External Auditor recommends to attach the function of the OSCE Ethics Co-ordinator to the Secretary General and to define regulations and processes in the OSCE as a whole to address cases of sexual harassment.

Recommendation No. 9 (Priority 1). The External Auditor recommends to identify the obstacles met in the Performance Improvement Plan (PIP) process and to present measures to make the PIP process more efficient within one year.

Recommendation No.10 (Priority 1). The External Auditor recommends to launch a strategic review of the OSCE posts in 2022.

Recommendations related to the audit of OMiK

No priority 1 recommendation.

Recommendation related to the audit POiD

Recommendation No. 2 (Priority 1). The External Auditor reminds that any extension of ExB projects registered in Oracle before 28 May2018, is considered as a new project, and as such, should in all cases have to contribute to the indirect common costs (ICC), so that within a short period of time, the subsidizing of ExB by UB through unshared structure costs should end.

Part 1

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE OSCE FOR THE YEAR ENDED 31 DECEMBER 2020

I. OBJECTIVES AND SCOPE OF THE AUDIT

7. In accordance with the conditions of our undertaking and our notification letter dated 12 January 2021, a team of five auditors carried out from 15 March to 2 April 2021, the final audit mission of the financial statements of the Organization for Security and Co-operation in Europe (OSCE) from 14 June to 18 June 2021, for the financial year ended 31 December 2020.

8. The audit team had previously carried out an interim audit mission from 16 November to 27 November 2020. This mission was mainly devoted to:

- a review of the internal control, prior to the audit of the financial statements for the financial year 2020,
- an analysis of the environment of the financial and accounting management information system,
- a review of the overall balance for the period from 1 January to 30 September 2020.

9. The audit of the financial statements took place in accordance with the provisions of the Organisation's financial regulation (Article 8), International Standards on Auditing (ISA) and International Standards of Supreme Audit Institutions (ISSAI) on financial auditing.

10. The purpose of the audit was to determine, with reasonable assurance, whether the financial statements reliably reflect, in all their significant aspects, the OSCEs financial situation as at 31 December 2020 and the results of transactions recorded during the financial year, in accordance with the financial information repository applicable, in this case the international accounting standards of the public sector (IPSAS).

11. Due to the health situation and travel and contact restrictions related to the Covid-19 pandemic, interim and final audit work on the financial statements have been carried out remotely and partially at the Headquarters.

12. Each observation and recommendation were discussed with the relevant managers. The Management received the provisional report from the External Auditor on 25 June 2021 and their comments (factual and/or formal) and written responses were, where applicable, fully taken into account in this report.

13. The External Auditor issued an **unqualified opinion** on the financial statements for the financial year ended 31 December 2020.

14. The main audit observations on the financial statements are devoted successively to:

- <u>the general accounting framework</u>: analytical review of the financial statements for the financial year 2020 and observations on the internal control in place at the OSCE ;
- <u>the operational elements recognized in the financial statements</u>: contributions and other income/receivables, debts and other accounts payable, employee benefits, provisions/contingent liabilities, accounting impact of budgetary implementation;
- <u>the investments</u>: fixed assets and stocks;

- the financial closure of the financial year: cash and deposits, net assets.

II. LIST OF RECOMMENDATIONS

	Priority	Recommandations
DMF/IT/DHR	1	**1. In the area of IT management, the External Auditor recommends to:** **- draw up a business continuity plan by the end of 2021, jointly with the operational divisions and the IT division. The business continuity plan will have to be subject to formalized tests;** **- DHR should update in real time the HR tool and IRMA with the contract data which are used to manage access authorizations to the system;** **- restrict the number of accounts with rights considered incompatible in the separation of duties matrix. If, for reasons of operational continuity, some incompatible accesses must be maintained, semi-annual tests should be carried out on the compensatory checks carried out a posteriori on the actions made by the user accounts.**
DMF/BFS	2	**2. The External Auditor recommends updating FAI 4 by adding the IPSAS 23 recognition criteria for extra-budgetary contributions**
DMF/BFS/IT	2	**3. The External Auditor recommends automating in Oracle the monitoring of extra-budgetary contributions.**
DMF/DHR	3	**4. The External Auditor recommends formalizing and reinforcing the monitoring of step increment decisions and annual premiums.**
PC/DMF/BFS	1	**5. In order to avoid any further ambiguity concerning the scope of his opinion on the OSCE's financial statements, the External Auditor recommends the Permanent Council to replace Article 7.02 (vi) of the Financial Regulation by a provision stating that, in addition to the five usual financial statements and related notes, segment reporting is to be provided, in compliance with established practices.**
DMF/BFS	1	**6. The External Auditor recommends the OSCE services to implement, as from financial year 2021, a SMM budgetary reporting system and an accounting procedure for SMM fund transactions ensuring that the mission's expenditure and income are accounted for in the Financial Statements in strict compliance with IPSAS.**
DMF/BFS	1	**7. The External Auditor recommends to include, from 2021, in the first chapter of the PBPR sufficient information to give to**

		the reader a comprehensive view on the OSCE's budgetary/extra-budgetary activities, i.e.: **- Unified Budget established posts vacancies;** **- Unified Budget and SMM surplus/deficit on assessed contributions;** **- total average workforce (UB + SMM + ExB), if possible expressed in Full Time Equivalent and using the traditional PBPR breakdown presentations (geographical location, functional/operational activities, categories of expenditure, categories of staff).**
DMF/BFS	**1**	**8. The External Auditor requests that the necessary technical measures be taken to avoid future recurrences of IPSAS 4 non-compliant valuations of foreign currency assets at year-end, which distort the estimate of the surplus presented in the annual Statement of Financial Position.**

III. OBSERVATIONS AND RECOMMENDATIONS

1. General accounting framework

1.1. Analytical review of the Financial Statements for year 2020

15. In 2020, the Covid-19 pandemic led to a significant reduction and change in expenditure.

a. Statement of Financial Position

16. Total assets as at 31 December 2020 amounted to EUR 181.9 million, an increase of EUR 28 million or 18% compared to 31 December 2019, mainly due to an important increase in cash and cash equivalents (including investments) of EUR 25.7 million to EUR 134.7 million.

17. This cash increase results from savings due to the COVID-19 pandemic, on travel expenses, conference and seminar costs, and consulting and subcontracting costs (approximately EUR 26.8 million).

18. Net assets increased by EUR 10.1 million to EUR 45 million, mainly due to the overall surplus for the period (EUR 14.3 million), partly offset by a Cash Surplus (EUR 4 million) which will be returned to the participating States unless otherwise decided.

19. The EUR 16.9 million increase in current liabilities (EUR 129.4 million in 2020 against EUR 112.5 million in 2019) is mainly due to:

- extra-budgetary activities, which account for an increase of EUR 9.9 million of current liabilities, with unspent voluntary contributions to be returned to donors (EUR 5.8 million), and contributions received which are not yet spent (EUR 4.1 million);

- an increase of annual leave carried over due to the COVID-19 pandemic which reduced the possibilities for staff to take their 2020 leave during the year (EUR 4.3 million).

b. Statement of Financial Performance

20. Total OSCE income decreased by EUR 15.1 million or 4 percent to EUR 333.6 million mainly due to:

- lower extra-budgetary contributions (EUR 12.8 million less than 2019);
- lower contributions in kind (EUR 9.6 million less than 2019),;
- lower reallocation (EUR 4.1 million less than 2019) of the Cash Surplus to finance extraordinary expenses including the observation mission to two Russian checkpoints on the Russian-Ukrainian border.

21. These decreases were partially offset by an increase in assessed contributions of EUR 14 million.

22. Two thirds of the EUR 9.6 million decrease in contributions in kind (EUR 6.0 million in 2020) are due to a change in the valuation parameters of staff seconded by the participating States.

23. The OSCE expenditure fell by EUR 36.7 million, or 10 percent, to EUR 319.3 million, mainly due to the COVID-19 pandemic, which resulted in a sharp decrease in travel costs (EUR 16.7 million less), conference and seminar costs (EUR 6.4 million less) and consulting and subcontracting costs (less EUR 3.7 million).

24. EUR 4.4 million or 2 percent decrease in staff costs is mainly due to the change in the assumption for calculating the value of staff seconded by the participating States.

Finding: The COVID-19 pandemic is the main factor explaining the on the basis of the recognition methods, IPSAS (“accrual basis” and not on the cash basis) surplus of EUR 14.3 million for the year 2020, to be compared to a deficit of EUR 7.4 million in 2019.

1.2. Internal control

25. Three areas of internal control were audited:

- The information systems management;
- The fraud prevention and detection;
- The identification and monitoring of related parties.

a. Information systems management

26. The Organisation made efforts to meet the challenges of information system governance, in particular regarding IS management systems. The audit focused on the Integrated Resource Management (IRMA) application, which is based on Oracle.

Software security

27. The process of creating and modifying user accounts on IRMA is automated since 2019. User accesses are created automatically by the Human Resources (HR) department when new staff is hired, and the start and end dates of the contract are entered into the tool. Line managers request the appropriate user accesses corresponding to the newcomers’ functions by issuing a ticket addressed to the IT help desk. The newcomers have access at the tool as soon as they have completed their training. The External Auditor did not detect any exceptions in this procedure. The connection to the Common Regulatory Management System (CRMS) is based on a strong password compliant with best practices.

28. The closing of user accounts following departures or transfers is automatic. When staff member leave the OSCE, their email account are automatically and permanently deactivated, based on the end date entered in the HR tool. This process relies on the data entered in the HR software. The audit revealed that two user accounts had not been closed after the departure of the related staff members due to an error in the HR software. However, the checks carried out show that these two users did not log in after their departure.

29. A quantitative review of user accounts to ensure that active user accounts belong to current staff is carried out on a regular basis using an automatic "script". This script identifies accounts which status requires investigation.

30. A separation of duties matrix has been defined for each business line. It is used as a basis for reviews and for the allocation of user rights. When this matrix was developed, incompatible combinations of rights were identified. To ensure that this separation matrix is applied, an annual qualitative review of rights is carried out using a "script". However, the External Auditor notes that four entities did not provide a justification for the conflicts

of segregation of duties during the review carried out in 2020. In addition, five user accounts have been granted incompatible rights, for which compensatory ex-post controls have been put in place to ensure that the actions performed in the system do not alter the data. This represents a risk: if, for reasons of operational continuity, such accesses were to be maintained, compensatory controls should be described and carried out at least every six months. Administrator accounts for the Integrated Management System (Oracle) are restricted to nine staff in charge of user support or operational maintenance. Generic accounts are also restricted and passwords are secure.

Change management

31. The change management is based on "PRINCE 2[1]" and ITIL[2] methodologies. All requests for changes to the system are formalized and classified according to their criticality. The External Auditor checked that the developments were tested and that the production releases of changes were validated. The changes are put into production by the United Nations International Computing Centre (UNICC), which ensures a separation of functions between development and production. The audit did not reveal any anomalies in the management of changes.

Operation

32. The disaster recovery plan, automatic processing ("batches"), incident management, backup management and database and server management are delegated to the UNICC. The External Auditor checked that UNICC's ISAE 3402[3] report for year 2020 does not identify any deficiencies.

33. However, there is presently no business continuity plan in place. Following a recommendation from the internal audit, such a plan is being developed.

Finding: The audit of the Integrated Resource Management system (IRMA) and the associated IT tools revealed some shortcomings concerning the lack of a business continuity plan, the updating of data on current staff with access to the system, and the implementation of the separation of functions.
Recommendation No. 1 (*Priority 1)* In the area of IT management, the External Auditor recommends to:
- draw up, as identified by the internal audit, a business continuity plan by the end of 2021, jointly with the operational divisions and the IT division. The business continuity plan will have to be subject to formalized tests;
- update in real time the HR tool and IRMA with the contract data which are used to manage access authorizations to the system;
- restrict the number of accounts with rights considered incompatible in the separation of duties matrix. If, for reasons of operational continuity, some incompatible accesses must be maintained, semi-annual tests should be carried out on the compensatory checks carried out a posteriori on the actions made by the user accounts.

[1] *PRINCE2 = PRojects IN Controlled Environments.*
[2] *ITIL = Information Technology Infrastructure Libraryn.*
[3] *International Standard on Assurance Engagements, Assurance Reports on Controls at a Service Organisation.*

b. Fraud prevention and detection

34. ISA 240, while indicating in paragraphs 5 to 8 the limits of the External Auditor's responsibility for fraud prevention and detection, states in paragraph 17(b) that *"the auditor shall make inquiries of management regarding […] management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention".*

35. The Financial Regulation, Articles. 6.02 (ix) and 6.03, only briefly mentions the need to protect the Organisation's assets against the risk of fraud. However, the financial and administrative instructions FAI 10 and FAI 14 have set up a monitoring system, which is based on an "internal oversight hotline", accessible by fax, e-mail, telephone or directly orally. This system preserves the anonymity of whistleblowers and clearly designates the Office of Internal Oversight (OIO) as the focal point for collecting and investigating allegations of fraud.

36. The External Auditor's interviews with the Office of Internal Oversight showed that this system is working effectively: in 2020, a total of 66 allegations were collected, of which six were fraud-related. Of these six allegations, four concerned financial matters.

37. The explanatory notes provided by Office of Internal Oversight indicate that since 2015, the number of allegations of financial fraud has been stable (three to four per year). Over the last six years, 11 investigations were conducted by the Office of Internal Oversight on allegations of financial fraud. All of them concerned field operations (including four for the Special Monitoring Mission (SMM). In all cases, the OSCE did not suffer any significant financial loss.

Finding: The External Auditor has been informed of the allegations of financial fraud brought to the attention of the Office of Internal Oversight within the framework of the fraud prevention and detection system set up by FAIs 10 and 14. The External Auditor has taken note of the investigations carried out by the Office of Internal Oversight and has not identified, for financial year 2020, any fraud likely to have a significant impact on the financial statements as a whole.

c. Identification and monitoring of related parties

38. The OSCE considers Key Management Personnel to be the only "related parties" to the OSCE, according to IPSAS 20 – they include the Secretary General, the Heads of institutions and missions, and the Heads of departments in the Secretariat. The OSCE considers that these officials can have a significant influence on the Organisation as a whole.

39. The representatives of the participating States are not considered as related parties, since the principle of consensus in the Permanent Council means that they cannot individually impose any decision. Furthermore, where participating States bring voluntary contributions to individual projects, they cannot impose or influence policies or procedures relating to the implementation of these projects: all extra-budgetary (ExB) projects are fully subject to the Common Regulatory Management System (CRMS), which can only be modified by the Advisory Committee on Management and Finance ACMF, which is itself a consensual body.

40. The OSCE-related bodies (the Joint Consultative Group and the Open Skies Consultative Commission) are also not considered as related parties since they are governed by separate treaties and neither party has any dominant influence over the

other. Although all participating States to these treaties are also OSCE participating States, the respective governing bodies have no mutual authority, and their only financial relationship is independent from the OSCE, which sublets the Hofburg space in Vienna and administrative support to them on a reimbursement basis.

41. The External Auditor checked that a procedure exists to identify related party transactions: every year, the OSCE sends a message to all Key Management Personnel and requests them to disclose any transactions between the OSCE and themselves or any close family members, as defined in the Standard.

Finding: The External Auditor notes that the principles adopted by the OSCE for the identification of related parties are consistent with the applicable IPSAS 20 and that information presented in Note 4.7 are satisfactory.

2. Operational elements recognized in the Financial Statements

2.1. Assessed/voluntary contributions and other income/receivables

42. Assessed contributions amount to EUR 227.2 million in 2020 and extra-budgetary contributions to EUR 30.5 million resulting altogether to cash contributions of EUR 257.7 million in 2020 – this is an increase of EUR 1.2 million compared to 2019. Furthermore, in-kind contributions amount to EUR 72.0 million for 2020 which represents a decrease of EUR 9.6 million compared to 2019.

43. The External Auditor reviewed the consistency of the contributions recorded in the general ledger with the decisions of the Permanent Council and tested a sample of the Unified Budget (UB) and Extrabudgetary contributions (Exb).

44. FAI 4 explains the budgetary accounting of ExB contributions ("*modified cash accounting,* which mainly records cash transactions."), but should also remind the IPSAS recognition of the same contributions on a different basis ("accrual accounting", which includes, separately from their impact on the cash position, the commitments given and received).

Finding: The External Auditor notes that voluntary contributions (ExB contributions) are recognized in accordance with IPSAS 23. FAI 4 presents the budgetary treatment of extra-budgetary contributions without addressing the accounting aspect in accordance with IPSAS.

Recommendation No. 2 (*Priority 2*) The External Auditor recommends updating FAI 4 by adding the IPSAS 23 recognition criteria for extra-budgetary contributions.

45. In the Statement of Financial Position, the Extrabudgetary contributions represent a liability of EUR 75.5 million and an asset of EUR 13.6 million (Note 3.3 to the Financial Statements).

46. The EUR 13.6 million ExB Contributions Receivable relates to pledges received and signed, for which the cash has not yet been received while the ExB project was billed for the pledge amount.

47. The EUR 75.5 million Deferred Revenue relates to ExB contributions billed, less any expenditure incurred under the ExB projects.

Finding: The External Auditor notes that the monitoring of extra-budgetary contributions (ExB contributions) is carried out on an Excel table and not automated in Oracle. Non-automated processing is a source of errors as extra-budgetary contributions represent a significant volume of the cash contributions received by OSCE (almost 15% in 2020).

Recommendation No. 3 (*Priority 2*). The External Auditor recommends automating in Oracle the monitoring of extra-budgetary contributions.

48. Unified Budget Assessed Contributions Receivable amounts to EUR 4.6 million, partially offset by an allowance for doubtful debts amounting to EUR 4.0 million.

49. This amount relates to Uzbekistan for EUR 2.9 million and Kyrgyzstan for EUR 1.1 million. The unpaid contributions for those two countries exceeding two years amount to EUR 3.4 million. The allowance relating to these receivables amount to EUR 0.2 million for Uzbekistan and EUR 0.1 million for Kyrgyzstan. There is also an allowance of EUR 0.1 million for Turkmenistan.

50. Non-UB Assessed Contributions Receivable amounts to EUR 5.0 million, partially offset by an allowance of EUR 0.4 million. This allowance mostly relates to Spain for EUR 3.3 million and Italy for EUR 1.3 million. Both receivables are less than one year old and consequently are not depreciated.

Finding: Allowances for voluntary contributions remaining unpaid over and under the limit of two years comply with the Financial Regulation.

2.2. Debts and other accounts payable

51. The main debts consist in payables and accruals, which remain stable between 2019 and 2020: EUR 12.1 million as at the end of 2019, compared to EUR 11.7 million as at the end of 2020.

52. In 2020, out of a total of accounts payables of EUR 2.9 million, most were payables to suppliers (EUR 2.5 million). However, there has been a significant decrease of the payables to suppliers between 2019 (EUR 3.2 million) and 2020. This decrease of EUR 0.7 million is mainly due to the clearance of a long outstanding payable in Dushanbe Office, with invoices dating back to 2010. The OSCE initially rejected payment because of an important litigation, but a settlement agreement was signed in 2020.

53. More generally, the supplier's confirmations have been compared with the aging vendor balance. The OSCE justified all the differences, which are mainly due to timing differences in recognition.

54. In 2020, the accruals grew to reach EUR 8.8 million (EUR 8.5 million as in 2019). These accruals are related to goods and services delivered in 2020. Detailed checks on the cut-off for expenses booked in 2020 and during the first two months of 2021 did not show material errors.

55. The tested expenses were selected among the following items.

Table 2. Details of expenses (in thousands of euros)

	2020	2019	Variation
Consultancy and Subcontracting	31,196	34,851	-10,5%
Travel Expenses	7, 988	24,722	-67,7%
Services and Office Costs	32, 130	41,538	-22,6%
Consumables and Supplies	7, 316	7, 080	3,3%
Equipment Expenses	4,192	6,652	-37,0%
Other Operating Expenses	12,644	11, 006	14,9%
Total Expenses	**95,466**	**125,848**	**-24.1%**

Source: Statement of Financial Performance.

56. The analytical review of these expenses shows the effects of the Covid pandemic, mainly on the travel expenses, and on services and Office costs. For example, the conferences and seminars expenses amounted to EUR 2.6 million in 2020, compared to EUR 9 million in 2019.

57. Other current liabilities reached EUR 1 million as at 31 December 2020, compared to EUR 0.8 million as at 31 December 2019. They consist primarily in pending refunds of Provident Fund reimbursements to staff and in office rent received in advance from Governments. The amounts are not material and no detailed tests were carried out.

58. Current assets also consist in prepayments, which decreased between 2019 and 2020: EUR 4.8 million at the end of 2020, compared to EUR 6.6 million as at the end of 2019. They mainly consist in suppliers prepayments (EUR 3.1 million as at 31 December 2020 compared to EUR 4.8 million as at 31 December 2019). These prepayments are related on the one hand to advance payments, for EUR 1.1 million, and on the other hand to payments of services to be received over the financial year (annual subscriptions, maintenance and support), for EUR 2 million. Detailed checks did not show material errors.

Finding: The tests performed by the External Auditor do not reveal any anomalies in the recognition of debts and other accounts payables. The accounts are compliant with the OSCE financial regulations and IPSAS standards. The decreases noted in the expenses and consequently in the prepayments were primarily due to the COVID-19 pandemic.

2.3. Employee benefits

59. During the interim remote mission the External Auditor did not detect any anomalies in the internal control on processes of salary expenses.

60. During the final on-site mission at Headquarters, the External Auditor had direct access to the files, and he selected and tested 25 payroll settlement files for the basic salaries, leading him to observe that in all cases:

- the supporting documentation was available;
- financial regulations, FAI and staff rules had been properly applied.

61. In one case, the grade and step levels applied show that the step increment (every two years, according to Staff Regulation 5.04.2) was not supported by a formal decision and was automatically applied by the payroll system. This leads to recommend reinforced internal control checks regarding automatic liquidation of basis salary in the payroll system.

62. The External Auditor tested other staff entitlements on a sample of 11 payroll files: spouse allowance, education grant, performance reward, etc. In all but three cases, the provided documentation was complete and accurate, and justified the allowances paid to the employees of the OSCE.

63. In the case of three allowances or premiums, the provided documentation was descriptive and not fully conclusive. However, the External Auditor considers that these deficiencies are not material and does not conclude that these premiums were undue, but that the audit trail should be reinforced. In particular, the process for tracing and archiving "*additional one-time payments"* makes access to their origin uneasy: this concerns the additional payments for local mission members, based on re-adjustment of their salary scale (around 80 % of the corresponding UN scale). When a mission has a surplus at the end of the financial year, an adjustment is commonly applied, if the request is granted, with the December payroll.

64. In 2020, the exception requests for payroll concern few agents, mainly in relation with the Boarding and Lodging Allowance (BLA) attributed to seconded staff that were unable to join their post in a period of travel restrictions.

65. However, exception requests applied to annual leave has had a significant impact on certain accounts. The service cost for annual leave liability amounts to EUR 4.5 million, compared to 0.3 in 2019.

66. The level of untaken annual leave was exceptionally high in 2020 given the pandemic. In application of Exception Request n°101/2020 completed by Exception Request n°91/2021:

- employees were allowed to carry over into 2021 up to 45 days of their unused leave at the close of the fiscal year, instead of the 30 days provided for in Staff Rule 7.02.1 (b), provided they would use the leave days in excess of 30 days by 30 December 2021;

- in addition, contracted employees had the option, upon their departure in 2021, to be compensated for up to 20 days of unused leave, instead of 15 days under Staff Rule 7.02.1 (e). As of 31 December 2020, 2,385 staff members whose contracts were still running had more than 20 days leave balances.

67. The External Auditor has checked the calculation of the annual leave liability and did not detect any deviation. Note 4.6 describes the exceptional entitlements in 2020.

68. The main significant negative variation in the income statement concerns the costs of seconded staff, valued as contributions in kind, which gave rise to a change in the calculation assumption presented in Note 2.2.1, § 6.4 for contributions and § 7.1 for employee benefits. This change is neutral, the cost of seconded staff being strictly equal in income (in-kind contributions) and expense. The effects of the change in calculation are presented in Note 7.1: the payroll costs associated with seconded staff are estimated at EUR 66.4 million in 2020 under the new method instead of EUR 72.4 million under the previous method.

Finding: The External Auditor notes that the monitoring of salary step increments and of annual premiums for the mission posts is not fully satisfactory and/or formalized, which weakens internal control for employee benefits.

Recommendation No.4 (*Priority 3*). The External Auditor recommends formalizing and reinforcing the monitoring of step increment decisions and annual premiums.

2.4. Provisions/contingent liabilities

a. Joint Consultative Group (JCG)

69. The OSCE bills approximatively EUR 500 thousand per year to JCG for the rent of rooms. This charge also covers the provision of interpreters and a share of utilities costs.

70. The Russian Federation has not paid its contributions to JCG since 2015.

71. In 2019, JCG paid its rental bills to OSCE. But the Austrian Court of Auditors (*Rechnungshof)* pointed out that Austria could not pay the part of the Russian Federation. Since then, the portion of the Russian Federation is no longer paid by JCG. This amounts to approximately EUR 50 thousand per year, starting in 2020.

72. Therefore, the financial risk for the OSCE amounts to approximatively EUR 50 thousand per year. An allowance of the same amount was recorded in 2020 to depreciate the outstanding receivable.

b. Other contingent liabilities/allowances

73. Disputes with staff amount to 31 in 2020, of which 14 were handled by the Secretariat and seven by other institutions, and 10 went to external appeal. As of 31 December 2020, five cases within the OSCE's internal justice system remained under consideration by the OSCE Panel of Adjudicators. Three of those have since concluded without any award against the OSCE being made and one concluded to a payment of EUR 16.5 thousand by SMM.

74. The absolute maximum contractual risk for OSCE amounts to an equivalent of two years net base salary of the applicant. OSCE did not record any provision considering the risk immaterial for the remaining case.

2.5. Accounting impact of budget execution

a. Control of Statement V and notes 8.1 and 8.2

75. Statement V (comparison of approved Budget and actual expenditure) is required by IPSAS 24 whenever a budget is made public, and relates only to expenditure that has received budgetary approval - i.e. expenditure from the unified budget and special purpose funds[4]. IPSAS 24 also requires, and this is the subject of notes 8.1 and 8.2 to the financial statements, that explanations be provided for variances between accounting data (notably the overall operating accounting result - Financial Statement II) and budgetary data (result of activities financed by assessed contributions), as well as for variances between the cash flow variance recorded for the overall activity for the year in Financial Statement III, and those specifically attributable to the use of budgetary resources during the year (unified budget funds and special purpose funds).

76. The External Auditor has checked the accuracy of the reconciliation data provided in Notes 8.1 and 8.2, and suggested some additions to the items provided in previous years, which have been accepted and are included in note 8 to the financial statements for the year 2020, namely:

[4] For 2020, the Permanent Council approved assessed contributions of EUR 91 million for the SMM budget. PC.DEC/1401 is a public document so that, for the part covered by assessed contribution the SMM budget is as "public" as the UB by IPSAS 24. The part of the total budget (EUR 109 million) covered by voluntary contributions (i.e. 109-91= EUR 18 million) is extra-budgetary and thus not concerned by IPSAS 24.

- a narrative summary to improve the readability of this very technical note;
- more specific details on certain types of differences between IPSAS and budgetary accounting and in particular, the so-called "basis" differences.

77. These verifications led the External Auditor to validate the figures presented in this note, and in particular the amount of the cash surplus attributable to the 2020 financial year under the Unified Budget, i.e. EUR 4.040 million.

78. The audit checked the consistency with the data resulting from segment reporting, the details of which are specified by IPSAS 18. The result of this check (which compared the data in Note 8.2 and Statement VI.3) shows that all figures are consistent.

79. However, in the initial set of financial statements submitted to his opinion, the External Auditor noted a confusion in terminology. Neither IPSAS 18 (segment reporting) nor IPSAS 1 (presentation of financial statements) provide that segment reporting, when applicable, should be presented as one of the "financial statements" to be prepared annually and which are subject, with the notes, to the External Auditor's opinion.

80. The examples provided in support of IPSAS 18 clearly indicate that segment information, when applicable, should be presented through additional “schedules” that accompany, but are not part of the financial statements. For this reason, the External Auditor discussed with DMF/Account Unit a way to make it clear, in the final presentation of the 2020 financial statements, that the previously so-called "Financial Statement VI" is not audited[5]. He agreed with a reorganisation of 2020 OSCE Financial Report, which is now in line with established practices of International Organisations, and where segment reporting is presented in an annex to the financial statements.

81. Formally, the Financial Regulation (art. 7.02 (vi)) remains to be adjusted so that it reflects the newly amended practice.

Finding: The External Auditor validates the budgetary data contained in Financial Statement V and notes 8.1 and 8.2, as well as their consistency with segment reporting. However, he notes that Article 7.02 (vi) of the Financial Regulation provides that segment reporting is presented as a “financial statement”. This is not in line with IPSAS 1 and 18, which do not include segment reporting in the list of financial statements to be prepared, while setting principles to provide detailed segment information – such information is not in the scope of the External Auditor’s opinion, which only covers the five usual IPSAS Financial Statements and related notes. DMF/Account Unit reorganized the annual OSCE Financial Report in order to be in line with established practices.

Recommendation No. 5 (*Priority 1*). In order to avoid any further ambiguity concerning the scope of his opinion on the OSCE's financial statements, the External Auditor recommends the Permanent Council to replace Article 7.02 (vi) of the Financial Regulation by a provision stating that, in addition to the five usual financial statements and related notes, segment reporting is to be provided, in compliance with established practices.

[5] This is implicit in the report of the previous External Auditor (Financial Year 2019), whose opinion states *« we have audited the financial statements of the Organisation for Security and Co-Operation in Europe (OSCE) for the year ended 31 December 2019. These comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flow, Statement of Comparison of Budget and Actual Amounts and the related notes*.” No mention is made of Statement VI on segment reporting.

b. Control of Note 8.3 (SMM)

82. During the audit, the OSCE services informed the External Auditor that they had detected an anomaly concerning the accounting of the SMM fund: this fund records its budgetary authorizations ("encumbrances", generally corresponding to simple purchase requests) as if they were commitments as defined by IPSAS (i.e. "commitments" to third party suppliers, whereas such encumbrances are purely internal budgetary commitments). When these authorizations are not used in whole or in part, the monthly and quarterly reports communicated to Headquarters by SMM present them as savings, although they are only unused budgetary authorizations.

83. When closing purchase requisitions, to align the ledger with the SMM reports, the services formally record expenditure equal to unused budgetary authorizations. This has no effect on the reports, which are based on the approved budget and not on the revenue recorded in the books. The problem with such a procedure is that it records fictitious expenditure and income that are not IPSAS compliant.

84. This procedure, which only concerns the SMM fund, results in an overstatement of income and expenditure for an amount of EUR 2.5 million in 2020. The table below identifies the expenses and income that have been affected by these balancing entries (middle column) and indicates the amounts that should have been recognized under IPSAS.

Table 3. Details of differences with IPSAS (in thousands of euros)

	2020	Difference	IPSAS
Income			
Assessed contributions	89 014	-517	88 497
Extra-budgetary contributions	11 622	-	11 622
In-kind contributions	43 737	-	43 737
Income from exchange transactions	-5	-	-5
Foreign exchange gains/(losses)	-34	-	-34
Other income	1 917	-1 958	-41
Total income	**146 251**	**-2475**	**143 776**
Expenditure			
Staff expenditure	97 622	-12	97 610
Consultancy and Subcontracting	9 430	-218	9 212
Travel Expenses	4 585	-236	4 349
Services and Office Costs	8 021	-883	7 138
Consumables and supplies	2 537	-184	2 353
Depreciation and amortization	4 825	-	4 825
Equipment Expenses	674	-20	654
Other operating expenses	11 849	-922	10 927
Total Expenditure	**139 543**	**-2 475**	**137 068**
Surplus/(Deficit)	**6 708**	**0**	**6708**

Source : DMF/BFS

85. The Accounting Department plans to address this issue during 2021 to ensure that such anomalies are eliminated from the general ledger, and to use this opportunity to review the format of the SMM reports.

86. This non-compliance with the IPSAS standard has no effect on the equity nor on the surplus/deficit of the financial year and provided the services committed to take measures to put an end to it as from financial year 2021, the External Auditor considers it does not require immediate adjustment.

Finding: For technical reasons specific to the SMM, some revenues and expenditures are recognized although they do not result from transactions with third parties. This non-compliance with IPSAS standards has no effect on the surplus/deficit for the year, but it results in artificially increasing the volume of OSCE's Statement of Financial Performance by EUR 2. 5 million.

Recommendation No.6 (*Priority 1*). The External Auditor recommends the OSCE services to implement, as from financial year 2021, a Special Monitoring Mission to Ukraine (SMM) budgetary reporting system and an accounting procedure for SMM fund transactions ensuring that the mission's expenditure and income are accounted for in the Financial Statements in strict compliance with IPSAS.

c. Complementarity between Financial Statements and PBRB

87. The following comment relates to the first chapter of the Programme Budget Performance Report (PBPR) for 2020, which provides an overview of budgetary implementation, the following chapters being devoted, in narrative form, to the implementation of the programme objectives of each OSCE executive structure.

88. Regarding the budgetary information given in Financial Statement V and Note 8, the presentation of the budgetary implementation in the PBPR could be more consistent and accurate.

In terms of consistency

89. Figures 1 to 3 of the first chapter of the PBPR present a breakdown of the Organisation's total resources by source of funding, by geographical location, and then by functional/operational breakdown. Figures 5 to 8 present a breakdown of resources and expenditure by geographical location and by categories of expenditure, and approved budget items by geographical location and by categories of staff, for the Unified Budget alone.

90. As a result, the reader is not given a full view of OSCE's activity encompassing these two perimeters (UB + ExB). In particular, the document does not provide precise data on the actual staff hired on of Unified Budget posts (2,274.8 in 2020). The Human Resources Department, for its part, indicated to the External Auditor that it had no possibility to assess accurately the Organisation's workforce in terms of Full Time Equivalents in 2020, either for the Unified Budget alone or for the Organisation as a whole.

91. However, the number of staff paid at the end of each quarter is around 3,800/4,000[6]. More precise information on their average distribution over the year should be presented, by source of financing, at least as regards staff on the Unified Budget and special-purpose funds payroll, which correspond to the actual use of the approved. The Budget Department indicated to the External Auditor that *“[it] will consider introducing the HR perspective to the total OSCE resource utilization (page 1,PBPR) to reflect the total number of positions (UB, SMM and ExB) for the year being reported. We may not*

[6] The number of employees was 3,882 as of 1 January 2020, 4,026 as of 3 March 2020, 4,281 as of 30 September 2020 and 4,002 as of 31 December 2020.

be able to collect this data in time for the issuance of the 2020 PBPR but will definitely keep it in mind for the next year".

In terms of accuracy

92. While the first part of the PBPR includes two of the main data items presented in Financial Statement V, namely the resources and expenditure of the Unified Budget funds, it does not include data on the budgetary outturn (i.e. the cash surplus attributable to the 2020 budget implementation and returned to the participating States, for assessed contributions to the Unified Budget and SMM) – which, as shown in Note 8.2, does not coincide with the difference between the resources and expenditure of the Unified Budget as presented in the PBPR. Similarly, the rate of use of the budgetary resources, indicated in percentage, should be completed by an explicit and precise indication of the amounts.

Finding: Unlike Financial Statement V and Note 8, which are technical documents, the PBPR, which is more narrative, does not allow the reader to properly figure out the activities (resources, expenditures, staffing) under the Unified Budget in relation to OSCE's overall activities. Moreover, even though its purpose is focused on the use of assessed contributions approved by the Permanent Council, it provides only imprecise information on the financial results of the implementation of the Unified Budget, and no information on those of the special-purpose funds (in particular the SMM).

Recommendation n°7 (*Priority 1*). The External Auditor recommends to include, from 2021, in the first chapter of the Programme Budget Performance Report sufficient information to give to the reader a comprehensive view on the OSCE's budgetary/extra-budgetary activities, i.e.:

- Unified Budget established posts vacancies;
- Unified Budget and Special Monitoring Mission to Ukraine surplus/deficit on assessed contributions;
- total average workforce (UB + SMM + ExB), if possible expressed in Full Time Equivalent and using the traditional PBPR breakdown presentations (geographical location, functional/operational activities, categories of expenditure, categories of staff).

3. Investments

93. The recording of fixed assets and inventories is subject to complex procedures. The direct reconciliation between the general ledger entries and the trial balance accounts on the one hand, and between the trial balance and the financial statements on the other hand, leads the External Auditor to note differences that the OSCE should justify. This accounting structure leads to successive reconciliations, which may be a source of errors, although the External Auditor identified no significant anomaly during the audit. Furthermore, understanding the recording mechanisms and the numerous reconciliation files gives rise to time-consuming questions for both the External Auditor and the Accounts Unit.

94. In the future, it would be preferable for the OSCE to formally explain and document, prior to each closing, the elements that will enable the External Auditor to carry out the reconciliation check more quickly.

3.1. Changes in fixed assets

95. In 2020, capital expenditure decreased by EUR 2.5 million compared to the previous year (EUR 4.2 million against EUR 6.7 million in 2019). This decrease corresponds to a return to 2018 level. Two explanations have been given for this evolution:

- on the one hand, in 2020, more equipment purchases exceeded the EUR 1,000 threshold and were therefore recorded not as expenditure for the year but as fixed assets;
- on the other hand, the COVID-19 pandemic led to a EUR 1.4 million decrease in donations to third parties EUR 1 million is due to delays in purchases necessary for the implementation of projects, EUR 0.4 million is due to the increase in inventory remaining to be disposed as at 31 December2020.

96. Tangible and intangible assets amounted to EUR 17.7 million as at 31 December 2020. The EUR 2.4 million increase is due to acquisitions totaling EUR 10.3 million minus a depreciation charge of EUR 7.9 million.

97. The External Auditor tested certain acquisitions and disposals that occurred in 2020. No anomalies were found for the 13 acquisitions and five disposals tested.

98. The depreciation charge for the year was also tested and no anomalies were detected. Particular attention was paid to the depreciation period for vehicles, which was five years for the assets tested including light and armored vehicles. However, Note 2.6 to the financial statements indicates a variable depreciation period for different types of vehicles: five years for light vehicles; eight years for medium vehicles; 12 years for heavy vehicles. The armored vehicles in the test sample were SUVs[7] reinforced to withstand light impacts. The weight of the armor on the chassis and the evolution of these vehicles over rough terrain make them similar to standard light vehicles in terms of service life, and the depreciation period of cinq years therefore seems justified.

3.2. Absence of property assets on the balance sheet

99. According to Note 2.9 to the financial statements, all buildings occupied by the Secretariat and the missions are subject to contracts considered as operating leases due to the short duration of the leases. Rentals are therefore recognized as expenses for the year and no buildings are included in the balance sheet.

100. The External Auditor checked that the OSCE's leases were indeed short-term, and analyzed the three most significant leases, confirming that they were operating leases and not finance leases.

101. Note 9.3 to the financial statements indicates that total rental expenses in 2020 amount to EUR 7.7 million. The note estimates that future mandatory rental payments, based on the terms of current contracts, will be EUR 4.4 million, of which EUR 3.5 million for the year 2021. The other contracts may be extended, renewed or replaced, so that the annual rental charge should, all other things being equal, remain stable.

3.3. Inventories

102. The provisions relating to inventories are presented in Note 2.5 to the financial statements: the threshold for capitalization is set at EUR 150 per item and EUR 50,000

[7] SUV: Sport Utility Vehicle.

per category and location. No expense is recognized for items intended to be given to third parties.

103. Inventories increased by EUR 562,282 in 2020.

104. The External Auditor performed valuation tests on eight significant items and found no significant differences. He also analyzed the responses to the questionnaires sent to the OSCE offices to ensure that there were no discrepancies in the annual physical inventories: no differences were reported, except for EUR 5,000 of publications excluded from the assets in Montenegro.

105. Additional questions were asked about the use of four inventory items with a value of more than EUR 25,000. The answers provided by OSCE show that the way in which they are accounted for is consistent with their purpose in the context of local projects for the benefit of third parties.

Finding: The tests performed by the External Auditor did not reveal any anomalies in the accounting of fixed assets and inventories.

4. 2020 Financial closure

4.1. Cash and deposits

106. OSCE's cash position rises significantly in 2020. It increases from EUR 109.1 million as at the end of 2019 to EUR 134.7 million as at 31 December 2020 and is broken down as follows:

Table 4. Evolution of cash and deposits (in thousands of euros)

	2020	2019	2018
Cash and equivalents	91 059	95 094	107 526
Investment	43 685	13 971	9 133
TOTAL	**134 744**	**109 065**	**116 659**

Source: IRMA

107. This 23.5 % increase is one of the consequences of the COVID-19 pandemic, as expenses incurred have decreased significantly, particularly travel expenses (from EUR 24.7 million 2019 to EUR 8 million in 2020) and external services (from EUR 41.5 million in 2019 to EUR 32.1 million in 2020).

108. The growth in cash and cash equivalents led to a strong increase in investments.

109. The investment policy of the Organisation remains unchanged. Very short-term deposits do not exceed three months, while short-term investments may exceed that term, but must not exceed nine months. This policy, which was established on 24 April 2015, is intended to preserve the availability of funds for operational needs, only funds not immediately needed for operations being allowed to be invested to earn interest. Despite the increase in the volume of very short-term deposits and investments, financial income decreased in 2020, from EUR 340 thousand in 2019 to EUR 178 thousand in 2020. This is due to the low interest rates, which are close to zero, and the fall in American interest rates (FED rates went from 2.25 percent in July 2019 to 0.25 percent in December 2020). The fall of the dollar by about 8% between 2019 and 2020

contributed to the increase in dollar-related exchange, which rose from EUR 390 thousand in 2019 to EUR 1,875 thousand in 2020.

110. Bank reconciliations with the 65 banks of the Organisation were provided to the External Auditor, as well as cash reports. No significant anomalies were found. The External Auditor notes that:

- an action plan will be set up in 2021 between the Accounting and Treasury Departments, to clear the revaluation differences noted during reconciliations, even when they are not significant;

- several cash accounts were still open at the end of 2020, although they had a zero balance at closing: the local offices confirmed that they were no longer in use and could therefore be deactivated in ORACLE;

- most banks have confirmed balances as of 31 December 2020. Only four confirmations have not been received[8] . Reminder e-mails were sent by the OSCE[9].

111. More importantly, the External Auditor found that the Organisation did not translate the foreign currency assets recorded in its balance sheet at the closing rate, in contravention of IPSAS 4 ("*Effect of changes in foreign exchange rates*") but applied the UNORE[10] as of 1 December 2020.

112. OSCE explained that this problem was a technical limitation due to Oracle.

113. For the US dollar accounts alone, the External Auditor estimates that the impact on the valuation of the cash position is negative and amounts to EUR 678 thousand (EUR 274 thousand for the bank accounts; EUR 404 thousand for the very short-term deposit accounts and investments).

114. In order to have a more precise estimate of all foreign currency receivables and payables (all currencies combined), a request was made to the Organisation: according to the OSCE, the impact of this conversion on 1 December 2020 instead of the closing date amounts to a total of EUR 716 thousand, of which EUR 695 thousand concerns the cash flow.

115. The recognition of this decrease in assets would result in potential losses of EUR 678 thousand, and consequently a decrease in the surplus for the period from EUR 14.3 million to EUR 13.6 million.

[8] These are the following banks: Joint-Stock Company OTP Bank Kiev (two accounts), Join-Stock Company Halyk Bank Astana, Turkish Joint-Stock Commercial Ashgabat (three accounts), and Citibank Washington.

[9] Citibank of Washington required a direct request from the External Auditor, as well as the latter's participation in the mailing costs. Sending the External Auditor, at the request of the client (i.e. the OSCE), a situation at the end of the financial year, is part of the services universally provided by the banks and covered by the general banking fees charged to its client. The OSCE is therefore in a position to demand this service, or even to turn to the competition in the event of a confirmed refusal. This principle was recalled in the management letter sent by the External Auditor to the General Secretariat at the end of his audit.

[10] UNORE: United Nations Operational Rates of Exchange.

Finding: For technical reasons linked to the Oracle system, assets held in foreign currencies are not converted into euros in the balance sheet at the closing rate, as required by the IPSAS 4, but based on the UNORE rate as at 1 December 2020. This results in an overstatement of all foreign currency receivables and payables (all currencies) of 716 thousand euros. These differences have not been adjusted in the financial statements for the year 2020.

Recommendation No. 8 (*Priority 1*). The External Auditor recommends that the necessary technical measures be taken to avoid future recurrences of IPSAS 4 non-compliant valuations of foreign currency assets at year-end, which distort the estimate of the surplus presented in the annual Statement of Financial Position.

4.2. Net equity

116. Statement IV shows that the net position, i.e. the difference between the Organisation's assets and liabilities, increases by more than EUR 10 million in 2020, from EUR 34.9 million as at 31 December 2019 to EUR 45 million as at 31 December 2020. This increase comes from the surplus of the period, for EUR 14,3 million (Statement II of Financial Performance), minus:

- the Cash Surplus of EUR 4 million which will be made available to the Permanent Council;
- the decrease of EUR 140 thousand of the cash surplus withheld, following the regularization of the contributions from Kyrgyzstan and Uzbekistan.

117. The External Auditor has verified the components of the net position and the changes recorded as at 31 December 2020. In particular, it has verified the consistency of the calculation of the budget surplus generated in 2020 (EUR 4. million), which breaks down as follows.

Table 5. Calculation of the budget surplus for the year 2020 (in thousands of euros)

Contributions less expenditures for FY 2020 (Statement V)	**3,329**
Other income	168
Total revenues less expenses	**3,498**
Revenues allocated to budgetary expenditures	(895)
Financial surplus (note 4.8.2)	**2,606**
Assessed contributions to be received by December 31, 2019	6,068
Assessed contributions to be received by December 31, 2020	(4,634)
Budget surplus 2020	**4,040**

Source: 2020 financial statements

Finding: The detailed tests carried out lead the External Auditor to validate Statement IV, which presents the evolution of OSCE's net equity.

Part 2

AUDIT REPORT ON HUMAN RESOURCES MANAGEMENT

I. OBJECTIVE AND SCOPE OF THE AUDIT

118. In accordance with our notification letter dated on 24 April 2021, a team of two auditors conducted an audit at OSCE Headquarters in Vienna from 7 to 18 June 2021. The purpose of this audit was to examine the management of the Human Resources (HR).

119. The audit of the management of Human Resources was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAI) on performance and compliance audits, the OSCE Financial Regulations and the additional terms of reference annexed thereto. These standards require the External auditor to conform to the relevant ethical rules in respect of the audit, to exercise professional judgement and to demonstrate critical thinking throughout the audit.

120. The main purpose of the audit was to assess the efficiency and effectiveness of the OSCE in human resources management, with due regard to economy, and the aim of leading to improvements and make sure that undertakings of the OSCE are compliant with the Organisation's Common Regulatory Management System (CRMS).

121. Each observation and each recommendation has been discussed with the staff concerned. The audit closing meeting was held at the Vienna headquarters on 18 June 2021 in the presence of the Director of the Department for Human Resources. The Secretariat confirmed the validity of the facts set out in the draft report, which was sent on July 7th, 2021. This report fully takes into account the Secretariat's comments and responses provided in writing on July 23rd, 2021.

II. BACKGROUND

122. The OSCE employed 3,821 OSCE officials as at 31 March 2021. This figure takes into account all OSCE duty stations, including the Secretariat of the OSCE located in Vienna and in the three institutions linked to the Organisation:

- The Representative on Freedom of the media located in Vienna;
- The Office for Democratic Institutions and Human Rights located in Warsaw;
- The High Commissioner on National Minorities located in The Hague.

123. Other OSCE officials who represent the majority of staff employed by the OSCE work within the 16 field operations, the most being the Special Monitoring Mission to Ukraine (SMM).

124. The management of Human resources in the OSCE must be examined in the very particular context of the Organisation. Four points deserve to be underlined.

125. The first point is that, due to its history, the OSCE is not considered by some of its 57 participating States as a genuine international Organisation, and that it is not a typical staffing structure whereby international organizations would ordinarily mainly employ international and locally recruited contracted staff. The singularity does not come from the concept of a non-career Organisation which is not an exception in itself (some other international organizations are based upon the same principle), but includes a

number of factors, including that the international contracted staff represents a minority, particularly present in the Secretariat and the institutions, while the international staff in the field mission is mainly composed by staff seconded by the participating States.

126. The second point is related to the specific links between the OSCE and the UN system regarding human resources management. Although salaries and some allowances are aligned with the UN common system according to the OSCE Staff Regulations and Staff Rules, there are several departures.

127. The third point is linked to the OSCE governance, which implies a narrow management ("micro-management" as it is frequently called) by the participating States. As a consequence, the rule of consensus and the political relationships among participating States may make the implementation of reforms on HR management long and difficult.

128. The fourth point is the context of financial constraints (zero nominal growth). Any reform proposed in HR management should in principle abide by this requirement, strongly supported by almost all participating States.

III. LIST OF RECOMMENDATIONS

Priority	Recommendations
2	**1. The External Auditor recommends, as already recommended by the internal audit of the OSCE, to define in which specific conditions the access to the US Medical System could be provided.**
1	**2. The External Auditor recommends to attach the function of the OSCE Ethics Co-ordinator to the Secretary General and to define regulations and processes in the OSCE as a whole to address cases of sexual harassment.**
2	**3. The External Auditor recommends to extend the pilot of direct applications to the seconded staff recruitment process for volunteer participating States, with implementation expected by 2023.**
2	**4. The External Auditor recommends to quarterly issue statistics on the duration of each step of the recruitment process, in order to identify ways of improvement.**
2	**5. The External Auditor recommends to issue an official yearly mobility strategy namely for OSCE officials without limits of duration in their posts.**
2	**6. The External Auditor recommends to implement regular coordination meetings among Chiefs of Fund Administration and other Human Resources staff regarding the needs for learning and training.**
2	**7. The External Auditor recommends the issuance of a yearly document describing the needs for learning and training at the field level.**
1	**8. The External Auditor recommends to identify the obstacles met in the Performance Improvement Plan (PIP) process and to present measures to make the PIP process more efficient within one year.**
2	**9. The External Auditor recommends to elaborate quarterly tables on absenteeism at the disposal of Human Resources managers in each duty station.**
1	**10. The External Auditor recommends to launch a strategic review of the OSCE posts in 2022.**

IV. OBSERVATIONS AND RECOMMENDATIONS

1. Follow-up of previous recommendations

1.1. Recommendations of the External Auditor

129. The follow up of all recommendations issued by the previous External Auditor is included in the part 5 of this report.

1.2. Recommendations of the Office of Internal Oversight

130. The Office of Internal Oversight (OIO) has carried out two audits which can be considered as specifically dedicated to human resources management.

131. First, the OIO carried out an audit (IA201808) on Learning and Staff Development issued in April 2019. "*The main objective of the audit was to provide assurance that the activities performed and facilitated by the Learning and Development Unit (LDU) within the Department of Human Resources (DHR) of the Secretariat: align with corporate priorities; aim at ensuring that the skills set of the Organisation's human capital remains up-to-date to support the effective delivery of programmes and activities; and are adequately controlled, and efficiently and effectively delivered*".

132. The general appreciation was positive on the adequacy with the corporate priorities and on the internal control processes. However, the OIO issued seven recommendations with the priority rank 2. All of them have been accepted, the estimated date of implementation being the year 2019. According to the OIO, they were implemented at the date of the present report.

133. Second, the OIO carried out an audit (IA201908) on the OSCE Staff Group Insurance Scheme (EUR 6.3 million in 2019) in order to check adequate coverage for the main risks (Health, Life and Disability), to ensure the value for money, and to ensure the provider compliance (Cigna) with the last contract signed in December 2013. Since 2004, the yearly payments to the insurer have more than doubled. At the time of the audit, the OSCE was preparing a new tender. Eventually, the contract with Cigna has been extended for three years (2020-2023).

134. The audit identified several problems related to the governance and the management of the contract as well as to some critical limitations in the coverages. The OIO issued 22 recommendations. 20 have been fully accepted (document issued in April 2021).

135. Recommendation 12 has not been accepted ("*DHR should define reasonable conditions governing access to the US Medical System, including for example in case of emergency situations or absence of similar treatments elsewhere or introducing a specific premium for those staff desiring to have all or some of their treatments carried out in the United States, regardless of the availability of similar options elsewhere*"). This recommendation was based on the fact that the medical costs in the United States represented 25 % of the total cost of staff members' hospitalization, to be compared with the ratio of 3 % of US staff members. DHR did not accept to "introduce limitations to the worldwide insurance coverage". Even if he is aware that this question is politically sensitive, the External Auditor considers that this recommendation should be implemented to decrease the overall cost of medical coverage in a context of financial constraint.

Recommendation No. 1 (*Priority 2*). The External Auditor recommends, as already recommended by the internal Audit of the OSCE, to define in which specific conditions the access to the US Medical System could be provided.

136. Recommendation 15 has been only partially accepted. The OIO underlined the necessity "to carry out and document robust controls over the correct implementation of the financial clauses of the contract." The DHR accepted some improvements (annual statements and profit-sharing calculation at the end of the insurance contract). It acknowledged *"insufficient human resources and skills" to implement the full scope of the requested controls and considered that additional resources would be "absolutely necessary to fully implement the recommendation"*. The External Auditor cannot but emphasize the necessity of implementing adequate ways of control to get a reasonable assurance of value for money.

137. The other recommendations (all recommendations have been issued in 2019) are accepted but postponed. Only one (recommendation 20) was immediately implemented. Nine are supposed to be implemented during year 2021, two in 2022, one partly in 2022 and 2023, four in 2023 and three in 2024. Among these last three, one can find recommendation 1 (priority rank 1) stressing the necessity to clarify the notions of accidents and occupational illness, which is postponed to the first term of 2024. The explanation was that the tender forecast for 2020 had to be cancelled due to the COVID-19 pandemic, the contract with Cigna having been extended for three more years. The OSCE decided to postpone the implementation of the recommendations until a new tender was launched. However, we noted that Cigna has been the insurance provider of the OSCE for more than 20 years, which does not reflect an effort to promote competition. Considering the preparation of a tender is a complex process in this field of insurance, the OSCE should begin to define clearly its expectations in line with the recommendations it has accepted.

2. Key features of the OSCE Human Resources

2.1. The different positions

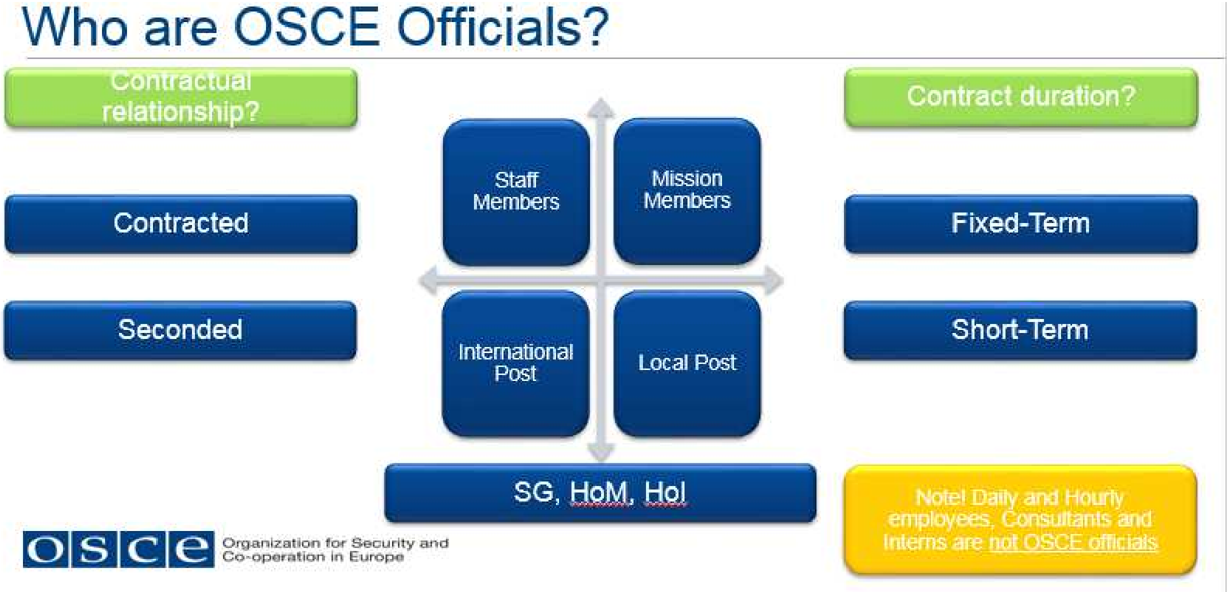
138. Employees working for the OSCE with the status of OSCE Official hold various types of employment contracts, depending *inter alia* on the workplace and on the tasks, with different processes of recruitment and salaries. The Staff Regulations and Staff Rules, issued in September 2003, define the rights and obligations for each position.

Table 1. Positions in the OSCE

Institutions	Field/Mission
International contracted	International contracted
Seconded	Seconded
General service	General service and national professionals
Junior Professional Officer	Junior Professional Officer

Source: External Auditor.

Table 2. OSCE Officials



139. Officials who benefit from an international contract ("letter of appointment") work mainly in the Secretariat and the institutions, few of them being in the missions. Their contracts are aligned to the UN system provisions, with some differences which will be exposed below. They rank from grades P1 to P5 and D1 to D2. The maximum duration in the post is seven years in a duty station, ten years in the OSCE for staff members ranked P1 to P4. P5 are appointed for two years which can be extended for a further three years. Directors are appointed for three years which can be extended for one more year.

140. Seconded Officials who benefit from "terms of assignment" represent most of the international OSCE Officials in the field operations, but some also work in the Secretariat and for the institutions. They are proposed by participating States to apply in an OSCE recruitment process. The grades of international seconded posts in the mission are partly aligned to international contracted staff/mission members (S1 to S4). They may serve in the same mission for a maximum period of seven years, which can be extended to ten years in another duty station. All Heads of mission are seconded and can serve for three years extendable by one (altogether four years) in that post in the same duty station.

141. Officials working in the general service category are recruited locally. In the field, they are appointed by the Head of Mission under his/her responsibility. They have a G grade and their wages and work conditions are fixed locally. They are supposed to be dedicated to support tasks, but the reality is more diverse. Their contract is renewed (or not) each year or every two years, depending on the location, but they do not have limited periods of service. They may serve in the same duty station or in several posts in the OSCE if they wish to apply to different posts or as long as their contract is renewed. The possibility exists to be recruited in an international position after or before having served in the general service category.

142. In the field, some local recruitments are "national professionals" who benefit from a higher level of seniority compared to general service staff. They do not have limits of duration in the post.

143. The Junior Professional Officers belong to a specific programme implemented by the OSCE. It is open to graduates (first level university degree in a field of study relevant

for the OSCE) under the age of 30, who are nationals of participating States which fund the programme (with the exception of a number (five to seven) who are nationals of non-funding States and whose placement is funded through the Unified Budget). They spend six months within the Secretariat, before joining a mission in the field during their one-year assignment. For each country which provides nationals, the rule is to finance one year out of two, the OSCE financing the second year.

144. The OSCE employs three categories of non-staff. Some interns are present in the Secretariat as well as in the missions. The consultants benefit from a contract called "Special Service Agreement". A third category consists of staff recruited for a short time and specific types of administrative support (daily staff).

2.2. Staff distribution

145. Most of the OSCE employees belong to the general service category or are seconded. This reflects the fact that the OSCE is basically a mission-oriented Organisation in which staff is mainly employed for field work. General Service staff is the most represented category (46 percent), followed by the international seconded staff (31 percent), the national professionals (13 percent) and the international contracted staff (8 percent).

Table 3. Statistics of all employees distribution of the OSCE on 31 March 2021

	Contracted	Seconded	General services	National pro	Interns	special service agreement	TOTAL
Institutions							
Secretariat	149	83	253		3	8	**496**
High Commissioner on National Minorities	15	3	13	3	3	1	**38**
Office for Democratic Institutions and Human Rights	81	17	75		2		**175**
Secretariat (HLPG)		6	1				**7**
Representative on Freedom of the Media	9	4	5				**18**
TOTAL institutions	***254***	***113***	***347***	***3***	***8***	***9***	***734***
Missions							
Kosovo	5	76	269	100	2	5	**457**
Skopje	4	32	91	24		8	**159**
Bosnia and Herzegovina	5	27	149	132		13	**326**
Observer Mission at the two Russian Checkpoints		22	1				**23**
Programme Office in Dushanbe	5	20	111	26		11	**173**
Serbia	1	18	83	38	3	9	**152**
Albania	2	16	50	23		3	**94**
Programme Office in Bishkek	3	10	81	23		2	**119**
Moldova	1	10	32	9		4	**56**
Montenegro	2	6	15	8			**31**
Programme Office in Nur-Sultan	1	5	17	3		5	**31**
Centre in Ashgabat		4	24	3			**31**
Personal Representative of the C-i-O (Minsk Conf.)	1	5	11				**17**
Project Co-ordinator in Ukraine	2	2	57	41		11	**113**
Project Co-ordinator in Uzbekistan		4	29	7		3	**43**
Special Monitoring Mission to Ukraine	37	840	424	57			**1358**
TOTAL missions	***69***	***1097***	***1444***	***494***	***5***	***74***	***3183***
TOTAL	**323**	**1210**	**1791**	**497**	**13**	**83**	**3917**

Source: OSCE.

146. The figures related to employee distribution in the above table include 83 "Special Service Agreement (SSA)". This category is diverse and some people may be employed during a very short period. The effective workforce of the OSCE employees is about 3,834 employees (3,917-83 SSA.).

147. A summary report on staff internal survey issued in 2016 mentioned the ratio of 4% of respondents complaining of sexual harassment. Another survey[11], issued by Deloitte in February 2019, dedicated to the comparison between the OSCE and the UN, mentions a ratio of 41.1 percent[12] prevalence of sexual harassment (33 % for the UN) and of 45.7 % of overall[13] prevalence of sexual harassment (38.7 % for the UN).

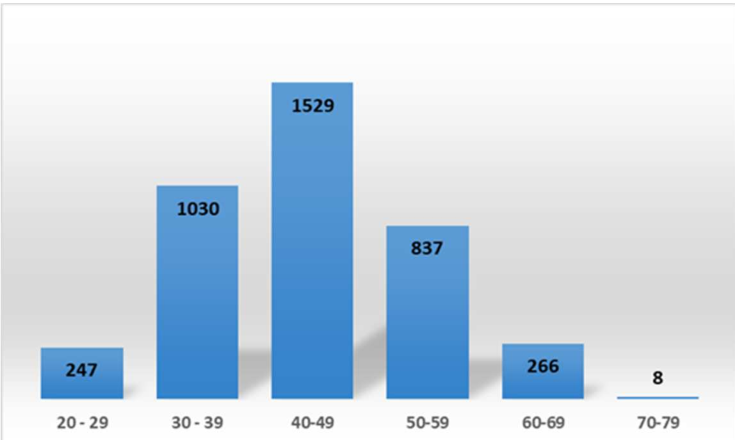
148. The OSCE pointed out efforts to prevent sexual harassment, namely in organizing mandatory e-learning courses for over 3,500 staff members. An Officer has been appointed *ad interim* in the Secretariat to deal with ethics questions. She is in charge of overseeing staff complaints of harassment, sexual harassment, discrimination and retaliation, on behalf of the Secretary General, and providing her advice to those that seek it. One Ethics Officer (S) was recruited in SMM, one vacant Ethics Officer (S) post is in ODIHR, and one vacant Ethics Officer (S) exists in the OSCE Ethics Office as well.

149. The high level of sexual harassment shown by the survey issued by Deloitte, shows, in the view of the External Auditor, the policy against sexual harassment and discrimination can still progress. In this regard, the OSCE Ethics Co-ordinator administratively could reports to the Secretary General rather than the Director for Human Resources (DDHR). Also, Staff Instruction 21 should be more clearly defined the cases of sexual harassment and specify the handling and monitoring processes. .

Recommendation No. 2 (*Priority 1*). The External Auditor recommends to attach the function of the OSCE Ethics Co-ordinator to the Secretary General and to better define processes in the OSCE as a whole to address cases of sexual harassment.

150. The age balance shows a quite balanced age distribution, with a 44 year old average age, the 40-49 years old category being the most represented. The diversity of ages is however very wide, since the standard deviation of the distribution is 36 years old, with ages going from 22 to 74. Average age is 44 years for international contracted officials, 46 for international seconded officials, and 42 for general service staff.

Figure N°1. Age balance



Source: External auditor based on OSCE data.

151. The distribution of staff's geographic origin is shown in Appendix No. 3. The overall distribution reflects the importance of each mission, due to local recruitments. More singular is the large prevalence of seconded staff from the United States and

[11] 17% of overall OSCE staff completed the survey
[12] “Recent” prevalence was calculated as between 2016 and November 2019.
[13] “Overall” prevalence was calculated as any respondent who reported either a recent or historical incident

Western Europe in the Secretariat and the institutions. It reflects the fact that the seconded staff who benefit only from Board and Lodging Allowance and do not receive salaries from their country cannot be recruited for the Secretariat and the institutions, where the OSCE does not pay Board and Lodging Allowance. This situation cannot be considered as a discrimination as each participating State is fully decisional on the salary it pays to its seconded staff.

Table 4. Geographic origin of seconded staff in the Secretariat and institutions

Nationality	Number of secondees in institutions
Italy	23
Germany	17
Norway	15
United States	13
Sweden	9
Switzerland	7
Spain	4
Czech Republic	3
Netherlands	3
Finland	3
Russian Federation	3
France	3
Serbia	1
Others	1
Canada	1
Ireland	1
Montenegro	1
Turkey	1
Ukraine	1
Liechtenstein	1
Austria	1
Lithuania	1
TOTAL	**113**

Source: External Auditor.

2.2.1. Main risks arising from the current distribution of staff members

152. Beyond the question of gender balance already mentioned, the two main problems are in relation with the position distribution which results from history and structural framework of the Organisation.

153. The predominance, among international officials, of seconded over contracted officials makes the Organization dependent on participating States nominating to those seconded posts. It has consequences on the type and process of recruitment and may lead to inadequacy with the requested competences and skills and to an important turnover. For the OSCE, which has contributed to the recruitment process and has trained the seconded staff, the investment is partly lost when they stay in their duty station only for a short period.

154. The second issue is related to the prevalence of staff and mission members belonging to the general service and national professional categories who are the most numerous - which is not uncommon in international organizations - but who have no limitation in the duration in their posts. The consequence is that the non-international staff represents the permanent and stable part of the Organization, often the holder of the OSCE institutional memory. This creates an unbalanced situation in which the authority of international staff as well as its ability to promote reforms on human resources management are not facilitated.

155. These findings show significant risks since they do not allow reasonable efficiency and economies. However, these risks cannot be substantially improved without a revision of Staff Regulations and Staff Rules, which would require a consensus among participating States.

3. Human resources management

3.1. Organisation of HR management

156. The Department of Human Resources (DHR) is included in the OSCE Secretariat. It is in charge of direct management of Secretariat staff members as well as the Representative on Freedom of the Media (RFoM) and of the general policy for Human Resources. The OSCE is broadly decentralized, the Heads of Mission and Heads of Institution having the responsibility of recruiting local staff, and for recruiting international staff in consultation with the Secretary General. The Chiefs of Fund Administration are often the only international contracted staff in the field and reports to the Head of Mission but also to the Secretary General. This model of decentralized structure does not call for any comment and seems consistent with the diversity of missions.

3.2. Recruitment procedures

3.2.1. Processes of recruitment

157. Both international contracted and seconded staff/mission members are recruited through a ten step-process described on the OSCE official website. The process includes the identification of a long-listing by HR and a pre-screening process carried out by hiring managers based on written test and/or pre-recorded video interview with automated questions; a short-listing of applicants by hiring manager and eventually the final recommendation for selection is achieved by an interview board of 4/5 employees chaired by the hiring manager. This selection is based on a number of criteria which may include competency based interviews, written tests and/or presentation, as well as reference checks and other tools for screening.

158. Depending on the position, the appointing authority is either the Secretary General or the relevant Head of Institution/Mission who decides based on recommendation of the recruitment board. In some cases the HOM/HOI may be the appointing authority, but be required to consult with Secretary General.

159. Officially, the difference between international contracted and seconded staff/mission members' recruitment process lies only in the eligibility checking to be carried out by their national authority for candidates applying for seconded posts. Only the national authority has access to the candidate application during the application period. After getting the right to apply by their respective country, the process is then only OSCE-driven, in the same way as for the recruitment of contracted staff/mission members. National authorities are informed of the result to confirm the secondment.

160. The existence of a national pre-selection depends on countries, since some of them let all their candidates apply for a given position, and some of them only send a few candidates.

161. A pilot project has been led in 2019 with direct applications submitted by secondment candidates to the OSCE from the beginning of the process. This allowed the DHR to have an overview of all profiles, when seconding countries were only in charge to confirm (or not) a list of candidates already pre-screened by the OSCE. The results of the pilot presented in July 2020 showed an improvement of the number and

the quality of applications as well as of the gender and national representation. This experimentation only concerns voluntary states and does not become a compulsory process, several participating States having their own recruitment processes.

Recommendation No. 3 (*Priority 2*). The External Auditor recommends to extend the pilot of direct applications to the seconded staff recruitment process for volunteer participating States, with implementation expected by 2023.

3.2.2. The duration of the recruitment process

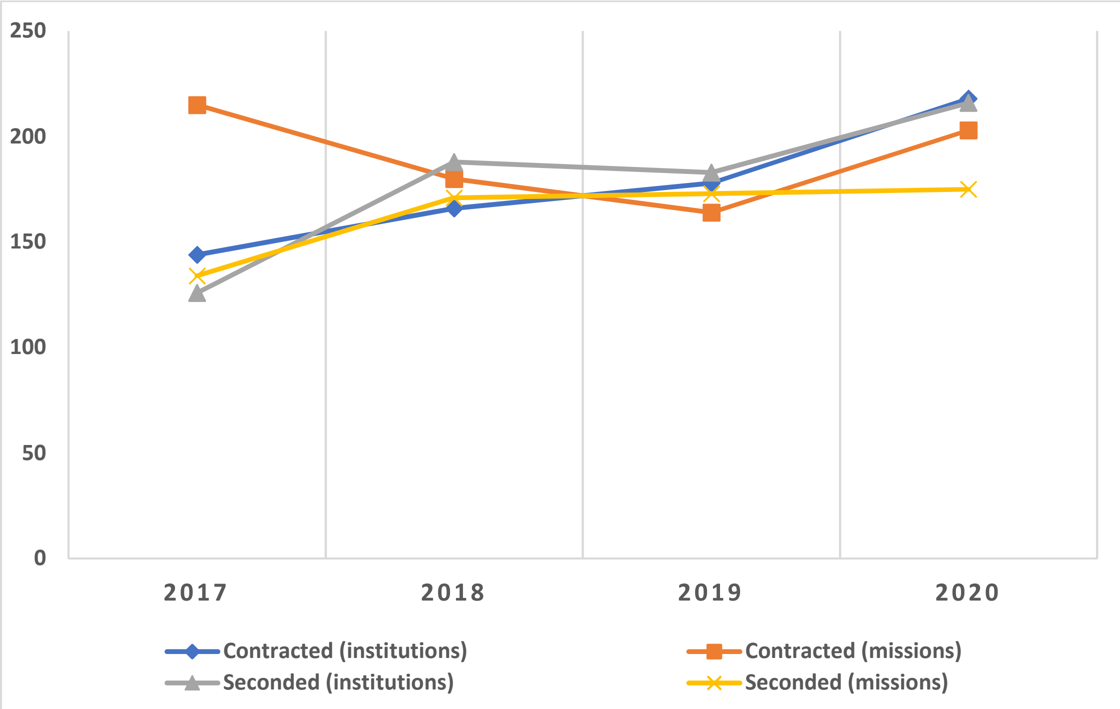
162. The overall duration of the recruitment process is estimated between nine and 11 weeks, according to the figures presented on the OSCE official website. However, the delays very often exceed this duration, in particular for high level positions. Besides, we noticed that the post description was not automatically issued 30 days before the expiration of the vacancy, as it is normally expected, even for very high positions such as D/DHR or Deputy D/DHR. The high level of Exception Requests concerning extensions of contract durations (56 % of Exception Requests in 2020 are about extensions of Short-Term Appointment/Assignment - STA) reflects this situation.

163. This kind of situation may be explained for some positions by political reasons since the highest posts are submitted to the consensus of participating States. This may also be explained by the high number of steps of the process. However, the lack of indicators (see tables below) does not allow the External Auditor to go further in his diagnosis.

164. Among the most recent actions taken by the OSCE to address recruitment delays, the creation of a standard template for job descriptions has been implemented, such as issuing a new job design and classification. The new document will serve as job description and vacancy notice.

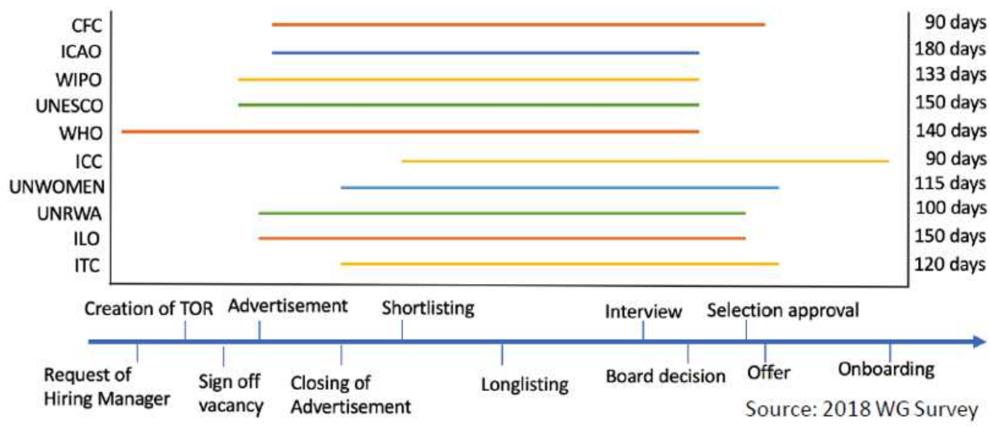
165. There is currently no official process designed within the DHR of the OSCE to regularly assess the duration of the whole hiring process for each post. A report has been issued to the Advisory Committee on Management and Finance (ACMF) in February 2021 with figures extracted from a dedicated survey showing that the average duration of the process (i.e. from the issuance of the vacancy to the arrival of staff member at their duty station) has been increasing for two years for all contracted and seconded staff members (see Figure 2). Durations vary from 178 days for seconded members in mission to 216 days for contracted members in institutions. These durations are longer than the current hiring delays in similar UN international organizations (see Figure 3).

Figure N°2. Average duration between publication of vacancy and arrival at duty station (in days)



Source: External Auditor.

Figure N°3. Average duration of hiring process in other UN system Organisations (in days)



Source: External Auditor.

166. The implementation of the new recruitment platform Taleo since 1 June 2021 could be an opportunity to implement a more regular assessment process of hiring periods, provided that this platform can effectively extract this kind of data and make simple calculations such as determining the duration between two particular steps of the hiring process. Figures extracted could also be integrated in broader data analysis workflow, as it has been implemented since 2019, but with no concrete action taken on this basis so far.

167. In a more long-term perspective, it would be useful to adjust the configuration of Taleo to integrate more artificial intelligence in short-listing the applicants. This could help, for example, to reduce the delays between step 4 (long-listing by HR) and step 6 (short-listing of applicants by hiring managers) in the official recruitment process, as the DHR services currently have to do this work by hand from sometimes hundreds of applications.

Recommendation No. 4 (*Priority 2*). The External Auditor recommends to quarterly issue statistics on the duration of each step of the recruitment process, in order to identify ways of improvement.

3.3. Mobility

168. As a non-career Organisation, the OSCE has not developed a special mobility policy so far, since most of international officials are expected to stay for a limited period of time and then to leave the Organisation. In fact, it is observed that a certain number of staff members manage to stay in the Organisation much longer than the seven years periods of service limitation, for example by applying to general service post without limitation of time. They can also extend this period from seven to ten years by applying for another international contracted post (see also rotation/retention in Part 4 below).

169. According to some OSCE managers, a too narrow specialization of certain staff members may decrease the opportunity for the management to reallocate tasks. It is in particular the case for general service staff who can spend as many years as they want in the same post, subject to post availability and positive performance. Making staff more mobile would enable missions to be more efficient. Unlike very technical Organisations like the IAEA[14] or the CTBTO[15], the workforce of the OSCE mostly relies on general skills, which can be applied to a diversity of missions. Flexibility and versatility should be more developed through a mobility strategy as a tool of management.

Recommendation No. 5 (Priority 2). The External Auditor recommends to issue an official yearly mobility strategy plan in particular for staff without limits of duration in their posts.

3.4. Salaries and allowance: the partial alignment with the UN system

170. Staff remuneration package is supposed to be aligned with the UN system. According to Regulation 5.00, “under no circumstances shall the cost of the remuneration package exceed that of the UN common system”. All types of remuneration are precisely defined in Staff Regulations and Staff Rules.

171. The alignment is rather fully implemented for international contracted staff members who benefit from the similar salaries and allowances as UN international staff (upon arrival: installation grant, appointment travel, removal of personal effects; on a recurring basis: dependency benefits, rental subsidy, education grant, home leave; upon separation: repatriation grant, separation travel, removal of personal effects).

172. Seconded mission members only receive from the OSCE the Board and Lodging Allowance applicable at their duty station. They may also receive a salary from their country, the amount depending fully upon the country. In the field operations, this situation creates strong discrepancies between seconded staff who benefit from Board and Lodging Allowance and salaries and those who receive only the Board and Lodging

[14] *International Atomic Energy Agency*
[15] *Comprehensive Nuclear-Test-Ban Treaty Organisation*

Allowance – which is mostly the case for seconded staff. When paid a salary from seconding country, a seconded staff ranked S1 or S2 may be paid much more than his/her S4 supervisor (more than three times in Bosnia-Herzegovina as an example).

173. Locally recruited General Service staff and national professionals in missions are supposedly aligned with the UN remuneration package in the country, reduced by 20 % on average. However, this reduced amount has not been described as an obstacle for recruitments, due to the fact that it still remains higher than the national average salaries.

3.5. Social protection

174. Regarding social security, the OSCE benefits from three external providers: Cigna for Group Health, Life and Disability, Temporary Incapacity already mentioned; International SOS for medical evacuation; Utmost (ex- Generali) for Provident Fund (pension).

175. This overall system does not apply to all staff/mission members. Local staff in field operation may benefit from the national social security system of the Host country if the Head of Mission in consultation with Secretary General gives his/her agreement. Seconded staff must provide the OSCE with an evidence that they hold a health insurance scheme equivalent to the OSCE branch of health insurance otherwise they have to contribute to the OSCE Health insurance scheme at their own expense. Furthermore, the OSCE, as a non-career Organisation, does not provide an After Service Health Insurance.

176. Interviews carried out during this audit show that the level of pensions and their modalities of payments is a sensitive issue. The OSCE does not belong to the UN pension scheme but benefits from a provident fund managed by Utmost. The OSCE contributes for two thirds and the staff members for one third of the premiums based on their salary. When the staff members leave the OSCE, they benefit from an amount invested during their employment in the Organisation including applicable interest rates and, paid in one go.

177. The differences with the UN system scheme, which is based upon a large pension fund, are real. First, the level of pensions is lower due to the calculation base (net amount of remuneration for the OSCE, growth amount in the UN system). Second, the UN scheme provides monthly installments for person on retirement. Moreover, the OSCE faces the poor performance rate (lower than the inflation rate) of the capital invested by Utmost, caused by a very secure choice of portfolio, decided by the OSCE itself (all employer contributions should be invested into capital-protected Deposit Administration Fund).

178. The OSCE pension scheme is also less advantageous than for the UN Organisations. However, the External Auditor noted that the question arises in a different way depending on the age and position. This issue is more accurate for general service staff who may spend a long time in the OSCE and leave when they retire, than for young international staff. Yet, the problem of attractiveness of the OSCE concerns mainly the international staff.

179. Some proposals for making the pension scheme more attractive have been explored during the recent years. All of them have been abandoned, due to their financial impact. The most logical proposal would be an integration within the United Nations scheme. According to the OSCE calculations, it would strongly increase the spending for the Organisation (roughly EUR 2 million for the sole Secretariat) and for the staff (for example: EUR 1,400 monthly for a D1), due to the change in the calculation base. Another solution, which would consist in the creation of a specific pension fund, has not

been fully assessed, but it appears to present at least two disadvantages: the risk would be transferred to the OSCE, and the OSCE has no sufficient skills to manage efficiently such a fund. The only current evolution which was mentioned consisted in opening new investment option such as life-cycle investment for all Provident Fund participants and to allow mission members the option to invest their pension amount in equities (an option which is already open for the Secretariat staff). This proposal does not call for any comment from the External Auditor.

3.6. Learning and development processes

180. As most international Organisations do, the OSCE allows its staff to take learning and development programs. The content of these programs reflects the nature of the OSCE operations in the field, since most of them are about development of leadership, conflict resolution, management and team building. Except for the Special Monitoring Mission (SMM) staff who can benefit from specially designed courses adapted to the specificity of their mission, most OSCE and mission staff can access the whole panel of online learning and development. Courses are delivered in English and a few may be available in Russian. The needs for learning and development are determined bottom-up through the performance management process as agreed between employees and their line managers.

181. The delivery of learning and development is mostly done in the field through the support of contractors on either SSA or through procurement of vendors, with the majority on SSA as individual workers. In addition, the OSCE has been developing for a few years' online learning and development activities and programmes the implementation of which has been accelerated since the COVID-19 crisis.

182. The very decentralized nature of the OSCE makes learning and development at the OSCE directly dependent on Heads of Missions and Heads of Institutions, with no possibility for the Secretary General to have an *ex ante* assessment of global needs. If having a comprehensive and dynamic overview of all the OSCE learning and development needs seems difficult to achieve, the coordination between Chiefs of Fund Administration could be strengthened, as they have a direct power in terms of budgetary planning in training in particular.

183. Learning and development could be also more evaluated. Increasing the level of qualification of the staff would have a direct impact on the agility of the missions and the possibility to re-task staff more quickly in order to avoid a too deep-specialization, which appears to be one of the frequent limits met in the OSCE missions.

Recommendation No. 6 (Priority 2).The External Auditor recommends to implement regular coordination meetings among Chiefs of Fund Administration and other Human Resources staff regarding the needs for learning and development.

184. In terms of strategic planning of learning needs, the existing process consists in a HR document submitted to the Secretary General but without validation by the ACMF. This document, very short and general, describes the competences required by the whole Organisation for the four or five coming years. Going deeper in this description, meaning at a more "strategic" level, could help the OSCE to have a better understanding of its needs.

Recommendation No. 7 (Priority 2). The External Auditor recommends the issuance of a yearly document describing the needs for learning and development at the field level.

3.7. Managing underperformance

185. Underperformance has been especially addressed by the OSCE in 2017 with the implementation of a process called Performance Improvement Plan (PIP). A PIP is a three- to six-month performance monitoring process designed to help underperforming employees to meet their professional objectives, which can be extended to another three-month period in case the performance is still short of meeting the standards/expectations.

186. This tool, presented as a robust management process by the OSCE, is actually very little used, since only 26 PIPs were implemented in 2017, 26 in 2018, 26 in 2019 and 17 in 2020. Such a situation cannot be considered as satisfying. The OSCE must identify the reasons for the difficulties met along the process and find ways of improvement.

Recommendation No. 8 (*Priority 1*). The External Auditor recommends to identify the obstacles met in the Performance Improvement Plan (PIP) process and to present measures to make the PIP process more efficient within one year.

3.8. Absenteeism

187. The External Auditor noted that the HR managers did not have at their immediate disposal the absenteeism rate for staff members under their responsibility. He had to ask for the elaboration of tables with distribution by duty station and position. The External Auditpr recommends to the OSCE to produce absenteeism statistics on a quarterly basis as it is a necessary tool to identify timely problematic trends and to take appropriate measures when necessary.

Recommendation No. 9 (*Priority 2*). The External Auditor recommends to elaborate quarterly tables on absenteeism at the disposal of human resources managers in each duty station.

188. The OSCE makes a distinction between noncertified sick leaves (limited to six days per year for fixed-term officials) and certified sick leaves. It has to be noted that in the year 2020, the absenteeism rate is much lower, as an effect of measures taken to allow staff to work from home. The distribution by duty station, provided by the Secretariat, does not show significant discrepancies.

Table 5. Global absenteeism rates

	2018	2019	2020
Non certified sick leave	0.6%	0.7%	0.3%
Certified sick leave	2.4%	2.4%	1.8%
Total	**3.0%**	**3.1%**	**2.1%**

Source: External Auditor.

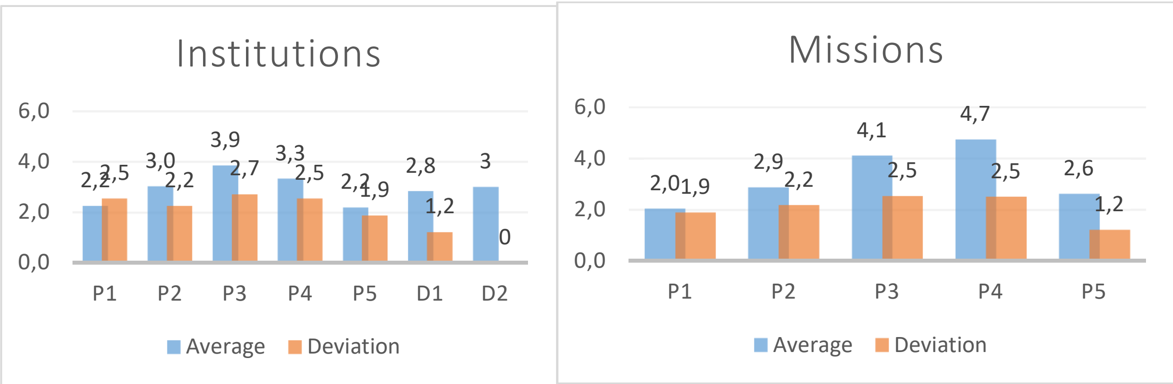
4. The issue of international contracted staff rotation

4.1. A very high rotation rate

189. As presented in the figure below, the analysis of the average duration of contracted P and D staff members in institutions and missions (calculated as the difference between the ending date of contract and the date of the signing of the latest contract) shows a very high standard deviation, which often varies between 70 % and

80 percent of the average for each category. This means a huge diversity of situations, including very short durations of contracts. A huge majority of this turnover is due to resignations.

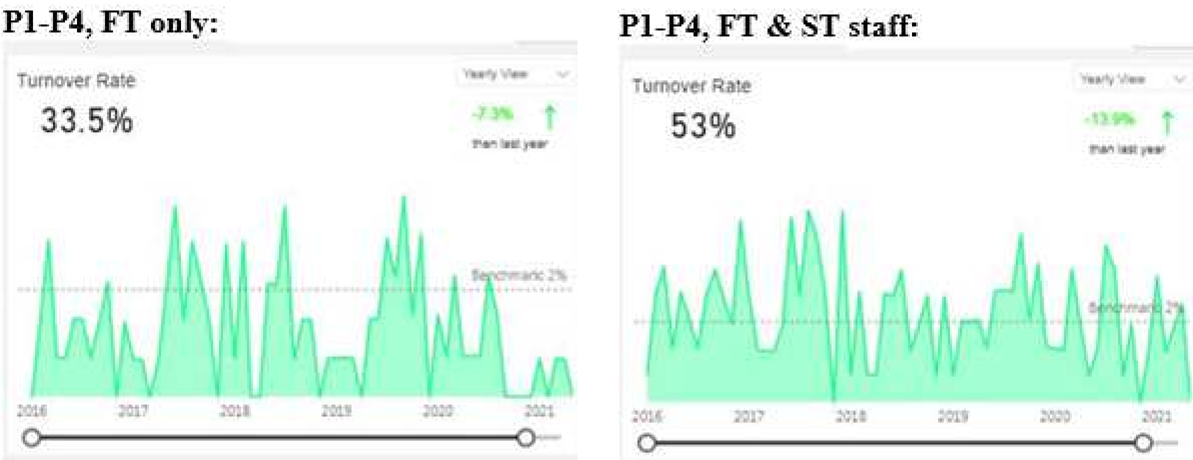
Figure N°4. Post duration for P and D staff members (in years)



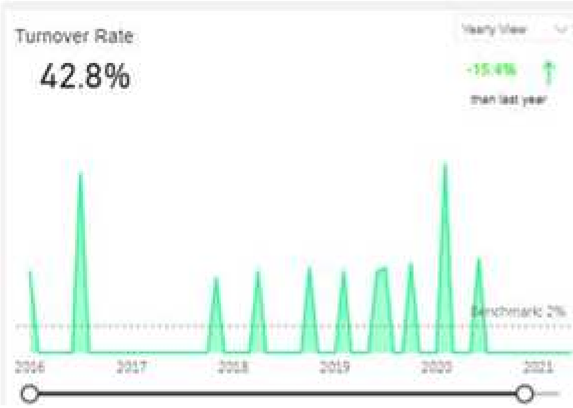
Source: External Auditor.

190. Other tables issued in the frame of the data analysis workflow, and presented in figure 5, show an objectively high rate of rotation from 2016 to 2020. Based on these metrics (defined as a ratio of number of vacancies open on total staff), the results show that the rotation rate of employees for P1 to P4 is nearly twice higher than other benchmarked IOs rates (which is also close to 2 percent), and even higher for P5 staff.

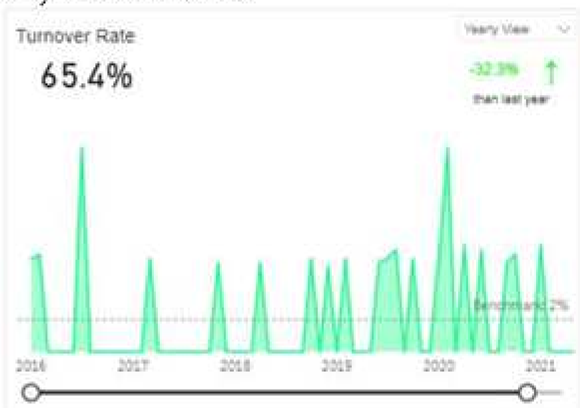
Figure N°5. Evolution of rotation of international contracted staff members (2016-2020)



P5, FT only:



P5, FT & ST staff:



Source: External Auditor.

191. Another sign of this rotation phenomenon with its consequences on the number of vacancies is the increasing level of Exception Requests asking for extensions of short-term contracted staff. A 40 percent increase of Exception Requests has been observed from 2019 to 2020, with a majority of them (46 percent) being related to short-term appointments/assignments.

4.2. <u>Proposals from the OSCE Secretariat to address high rotation rate and lack of attractiveness</u>

192. The OSCE is aware there is a high number of constraints on the Organisation which jeopardize its capacity to ensure a certain level of retention of its skilled staff, while attracting and retaining talented staff is a key enabler of success.

193. Some routes for improving the situation have already been floated by the Secretariat of the OSCE. As mentioned *supra*, a perspective of alignment on the UN system regarding the remuneration or the pension scheme, supposing that it is a part of the problem, is not realistic, due to financial reasons.

194. The Secretariat produced several documents containing proposals to find ways and means to tackle this excessive rotation.

195. A paper entitled “Increasing the efficiency and effectiveness of international contracted staffing” has been proposed to the Participating States and revised after first discussions. The Revision 1 was presented to the ACMF during the audit period. It made three proposals :

- Offering, to 25 percent of the total international posts in a grade and category, fixed term extensions beyond the standard period of service, which should not exceed 36 months. The first paper which was circulated proposed an extension of periods of service for all P1 to P5 and the extension of the period service for seconded staff to ten years in one field operation. These two proposals have been removed. Furthermore, the continuous service limit for new recruitments would be reduced from 10 to seven years. These new proposals would be implemented during a pilot period of 36 months. The Revision 1 paper does not give any precise indication on the expected savings.

- Allowing, after a minimum of 36 months (“*cooling off period*”), a second period of service for staff members who have left the OSCE and wish to join it again in order to make the Organisation able to later capitalize on intellectual investments made during the first period of appointment/assignment. This second period could not exceed seven years and could only be possible once.

- Aligning the benefits of international contracted mission members with those of international contracted staff members. This proposal comes from the fact that the international contracted mission members, working in the field, do not benefit from family allowances, which is, according to the OSCE, a "source of inequity", responsible for a lack of attractiveness of the posts in the missions for staff with families.

196. The last two proposals require a modification of Staff Regulations and Staff Rules.

197. A document issued on 9 November 2020, entitled "*Future options on Staff costs"* encompasses a broader scope. it examines the question of staff costs viewed through the necessity of making savings as well as proposals to decrease the rotation level of international contracted staff. Three main options have been identified:

- The first option is a reduction of the number of posts. This reduction would be achieved through a strategic review, carried out during four to six months, in order to identify priorities to maintain and efforts of rationalization to be undertaken.

- The second option is to reduce the cost of posts, through shifting posts currently based in Vienna to a lower cost location.

- The third option resumes the proposals mentioned above, under the title "*More efficient staffing modalities".* The estimated amount of savings imputable to these measures would range from EUR 600,000 to EUR 700,000, figures which were not found in the paper circulated to the ACMF.

198. Having examined these proposals, we firstly note that we cannot confirm the amount of savings forecasted by the Secretariat through the implementation of the proposed measures. The forecasts are based upon scenarios which are hypothetic (such as the ratio of staff members accepting to stay longer within the Organisation or to use the "cooling off period"). Regarding the content of the proposals, we cannot give any advice on measures which have already been substantially modified and remain subject to other changes during the negotiation process with the participating States.

199. However, we recognize that a high turnover among international staff and a weak attractiveness present many disadvantages affecting the quality of recruited staff, its commitment to the Organisation and its appetence to carry on positive changes on a long term basis. In addition, the increasing number of Exception Requests concerning extensions of duration in a post is a symptom of the difficulties of the Organisation to abide by its own rules. As the previous External Auditor had noted, such a situation raises a problem of compliance which is not acceptable. Rules which are not respected should be complied in short delays or changed.

200. Therefore, the External Auditor recommends the OSCE to enter into process of piloting measures to improve the current situation.

201. Furthermore, the improvement of staff management efficiency should also be sought through other routes. One of them, mentioned by the non-paper "Future options on Staff costs", examines the hypothesis of a strategic review of posts, in the Secretariat as well as in the missions. In the framework of the OSCE financial constraints, an overview of the adequacy of the current workforce with the priorities set by the participating States and the need for support should be launched, providing the general framework in which the reform on post duration could be undertaken.

Recommendation No. 10 (Priority 1). The External Auditor recommends to launch a strategic review of the OSCE posts in 2022.

Part 3

SUMMARY OF THE OBSERVATIONS ISSUES OF THE AUDIT OF THE OSCE MISSION IN KOSOVO (OMiK)

I. OBJECTIVE AND PERIMETRE OF THE AUDIT

202. The audit of the OSCE Mission in Kosovo (OMiK) was conducted from 14 to the 25 June 2021. The terms of reference of this audit were officially notified to the Head of Mission on 1 June, 2021.

203. With regard to the review of the performance and compliance of management and operations, the audit aimed to ensure that the activities, financial transactions and information are, in all material respects, in accordance with the provisions of basic texts of the OSCE, standards of sound financial management and standards of conduct of the international civil service.

204. The audit did not cover all activities and only the following areas were audited during the mission:

- Mandate and strategic operational framework;
- Communication;
- Budget implementation;
- COVID-19: impact and adaptation;
- Human resources;
- Financial management and accounts (sample of processes);
- Fleet management.

205. The External Auditor concluded that the overall management of OMiK is satisfactory, although there is room for some improvement, particularly in the formalised implementation of the internal control framework.

206. Regarding COVID, it can be positively outlined that the Mission did its best to adapt to the situation, both in terms of internal Organisation – especially for the staff – and in terms of activities with implementing partners and beneficiaries. Lessons-learned still need to be included in strategic documents, related to operations and safety, as COVID will probably drive to a lasting shift in the mission's modus operandi.

207. Management's willingness to engage in a constructive dialogue with the audit team can be noted. Recommendations made in previous audits or evaluations have in most cases been implemented.

208. On the basis his diligences, the External Auditor concluded with 25 recommendations, which were discussed with the staff concerned. Six of them were identified as high priority, including one to be implemented by HQ, and presented hereafter. The other observations, which do not directly concern the Headquarters, are not presented in this report. The OMiK Office confirmed the validity of the facts set out in a draft management letter, which was sent to the Head of Mission on 8 July 2021, and also sent to the Secretariat on 5 August 2021. The present final management letter fully takes into account the Head of Mission's and the Secretariat's comments and responses provided in writing on 22 July (OMiK) and on 25 August 2021.

209. Not entering the details of his recommendations to the OMiK Head of Mission, the External Auditor's mains observations are as follows.

II. OBSERVATIONS AND RECOMMENDATIONS

1. Public Communication

210. The initiative “Making OSCE fit for purpose” stated that “*Emphasis will be put on branding, messaging, targeting and more effectively using all relevant forms of media to explain the OSCE’s work, relevance, and impact and increase its visibility, promoting the concept of co-operative security.”* This is consistent with the “Call for action” presented in December 2020 to the Permanent Council side event, “urging a reaffirmation of OSCE’s purpose and raising its visibility”.

211. The External Auditor has checked the online communication of OMiK, i.e. the effort made by the Mission to raise awareness of citizens and partners either on its activity or on the topics it should promote according to its mandate.

212. The conclusion is that there is room for improvement in this field: the presence on social networks can be praised, but could be increased, a better communication seems possible through the Mission’s website, as a drop in communication since 2020 could carry a misleading message that OMiK was not able to overcome the pandemic.

2. Taking stock of COVID-19

213. The Covid-19 pandemic had an impact on the activity of the Mission, its day-to-day Organisation and therefore its budget, both in savings and unexpected expenditures. The final impact is quantified as around EUR 850 thousands of net savings (5% of the budget), which the funds being reallocated otherwise, essentially for equipment costs.

214. A proposition to implement a dedicated “Covid- 19 Joint Operation Room” was brought up at the beginning of the crisis. Nevertheless, no specific crisis cell was established, even though senior management meetings were organized on a regular basis.

215. It is good practice both to have risk assessments, and more especially contingency plans in case of any major adverse event (terrorism, etc.), especially in a dynamic political environment. OMiK had a “Mission Security Plan” (SP) for which the last update was made late 2018 and was not designed to get the Mission prepared to face an event as cataclysmic as the COVID-19 pandemic.

2.1. <u>Business continuity during the COVID-19 crisis: the case of IT adaptation</u>

216. By circular n°2/2020 dated March 16, 2020, the HRD of the Organisation has put in place a series of measures to adapt the rules and working conditions to the COVID crisis, in particular the telework. The External Auditor therefore reviewed the Mission's ability to switch from a largely on-site model of work to a remote working model on such short notice.

217. The pre-existing pool of computers is mostly composed of desktops, using an almost out of date corporate IT architecture (operating under Windows 7), and insufficient tools to guarantee the effectiveness and the security of teleworking (lake of RSA Tokens, etc.) for all staff. The External Auditor notes the early initiative (March 10th, 2020) from OMiK’s ICT department to acquire equipment to switch to new working conditions.

218. However, the delivery of additional laptop computers could not be achieved until mid-June 2020 and the implementation of sufficient remote work security assets

(Airwatch, RSA Tokens) was implemented no earlier than mid-April 2020, which may have jeopardised business security.

219. Moreover, some staff worked on personal equipment – and international staff benefitting of remote working arrangements still did so in June 2021. This is a risk, as those assets are not include in the corporate information security policy. After various cyberattacks on international and national public entities, the UN's Open-Ended Working Group (OEWG) on cybersecurity issued a report in March 2021 reminding that "The COVID-19 pandemic has demonstrated the risks and consequences of malicious activities that seek to exploit vulnerabilities".

2.2. Preparing the return to a normal situation by the end of 2021

220. The External Auditor considers that there is still a communication and reputational risk for the Organisation: while Kosovo has resumed "normal life" in June 2021, part of the International staff remains outside of the mission area – only local staff remains on-site and some local civil servants are already back to office.

3. Handover of senior positions

221. OMiK's Head of Mission (HoM) changed on 21 March 2021, after a vacancy of three months in the position. Meanwhile, business continuity was ensured an "acting HoM".

222. Given the operational and administrative importance of the appointment of a HoM, the handover process should be carried out seamlessly. As per financial and administrative instructions (FAI), Heads of Mission are "fund managers" (FM). They have, with Chief of Fund Administration (CFA), a pivotal role in administrative and programmatic areas, while they retain overall management responsibility and accountability.

223. Therefore, HoM's responsibility is not limited to political or programmatic areas. As a general practice, they should be prepared and informed on a standardized basis for major issues and opportunities, documented with situation reports on budget, assets, HR, etc.

224. At his request, documents were sent to the External Auditor on this aspect. They give quite detailed information on the budget and program areas. Nevertheless, this package does not include any data on administration (except a document on major issues for the first semester 2021). They do not rely on any kind of standard, with the risk of omissions, and they were available only in February/March 2021, without formal endorsement by the previous HoM.

Finding: Handover is a standard practice in operational Organisations, such as armed forces or the World Food Programme, as an example, in the UN-system. As OSCE is an operational Organisation, and in the framework of "the call for action" initiative, such a practice should be enforced and could be coupled with an induction programme for incoming HoMs.

Recommendation to HQ Vienna (Priority 2). The External Auditor recommends to the Secretariat the drafting of a corporate guidance intended to formalize the handing over between Heads of Missions.

PART 4
SUMMARY OF THE OBSERVATIONS ON THE AUDIT OF THE PROGRAMME OFFICE IN DUSHANBE
(POID)

I. OBJECTIVES AND SCOPE OF THE AUDIT

225. The audit of the OSCE Programme Office in Dushanbe (POiD) was conducted from 29 June to 9 July 2021. The terms of reference of this audit were officially notified to the Head of Mission on 10 June 2021.

226. The main purposes of the audit were to assess:

- Mandate and strategic operational framework;
- the compliance of POiD internal control with the OSCE Common Regulatory Management System (CRMS);
- the efficiency and effectiveness of management in the main areas of POiD's activities HR, fleet management, budget implementation), with due regard to economy;
- COVID-19 impact and adaptation.

227. On the basis his diligences, the External Auditor concluded with seven recommendations which were discussed with the staff concerned. The audit closing meeting was held at POiD Office on 9 July 2021 in the presence of the Head of Mission (HoM). POiD confirmed the validity of the facts set out in a draft management letter, which was sent on 16 July 2021, with a copy to the Secretariat. The present final management letter fully takes into account the Head of Mission's and the Secretariat's comments and responses provided in writing on 27 July (Secretariat) and on 3 August 2021 (POiD CFA).

228. Not entering the details of his recommendations to the POiD, the External Auditor's mains observations are as follows

II. BACKGROUND

1. POiD's mandate and strategic operational framework

229. The OSCE Programme Office in Dushanbe (POiD) was established in late 2017 pursuant to the agreement of 1 June 2017 with the Government of Tajikistan.

230. Through the sixteen Unified Budget (UB) and six extra-budgetary (ExB) "thematic" projects[16] currently implemented by POiD, a few salient points stand out.

231. a <u>predominance of capacity-building actions relating to the politico-military dimension,</u> which respond to a need expressed by the local authorities, and therefore are well accepted by them, with a notable presence of national professionals among the project managers and team members, and with:

- on the one hand, projects contributing to the improvement of border management on the border with Afghanistan[17]: it is the purpose of one UB project (Border

[16] We define "thematic projects", directly oriented to cover the needs of Tajikistan, as opposed to "administrative projects", which concern POiD management (Head of Mission Office and Fund Administration Unit).
[17] Concerning border management activities, it must be noted that the audit took place two weeks before the Taliban regained power in Afghanistan in mid-August 2021.

Security Management) and of two ExB projects (Patrol Field Capacity Building and the Border Management Staff College);

- on the other hand, capacity building and/or equipment projects in the domain of civil security (rescue, police, anti-terrorism, demining, earthquakes, landslides, etc.), with two UB projects (Countering Security Threats – “CST”, and Violent Extremism and Radicalization that Lead to Terrorism – “VERLT”) and three extrabudgetary projects (Explosive Hazards, Small Arms and Light Weapons, and Foreign Policy Instruments – “FPI”, this latter being financed by the European Commission).

232. a more discreet presence in the other two dimensions (Economic-Environmental – “EED” and Human – “HD”), for which the local authorities are more reserved:

- it is in particular the case, in the economic-environmental domain, for transboundary actions relating to access to and management of water, which are considered by the Tajik authorities to be an internal problem, but also capacity building for the fight against corruption, money laundering, terrorism financing, or for promoting good governance etc., all activities for which there is a strong presence, in the project teams, of international seconded staff and less national professionals;

- an exception, in the human dimension, is the ExB project of fourteen women's resource centers (“WRC”) in the provinces, which provide psychological and legal assistance in local situations of domestic violence, the management of which is entrusted, under POiD oversight, to local Implementing Partners (non-governmental Organisations or local associations), and which are said to be well accepted by the local authorities.

2. POiD workforce in 2020

233. Concerning budgeted (“*established*”) UB posts, at 31 December 2020, out of 132 UB approved positions, 14 were vacant (10.6 percent). This vacancy rate is high but remains within a range generally accepted by most other International Organisations previously or currently audited by the External Auditor.

234. But, as in many other International Organisations, the approved UB posts represent only a part of the actual workforce in place. At POiD, the actual workforce was 195.5 persons as at 31 December 2020, i.e, 48% more than the UB approved positions:

Table 1. POiD workforce as at 31 December 2020

Type of contract	Unified Budget	Extra-budgetary	Total
	12/31/2020	**12/31/2020**	**12/31/2020**
International Contracted	3	1	4
International Seconded	15	2	17
International STA*	3	0	3
General service/national professional	99	30	129
Local STA*	14	1	15
Daily	1	0	1
Subtotal : staff on OSCE payroll	**135**	**34**	**169**
SSA (FTE) **	24.9	1.6	26.5
TOTAL POiD workforce	**159.9**	**35.6**	**195.5**

*STA: Short-Term Agreement
**SSA Special Service Agreement; FTE: Full Time Equivalent
Sources: POiD FAU-Human Resource Unit/IRMA.

235. The main differences between budgeted UB post and the actual workforce are due to:

- the UB Special Service Agreements (SSAs) – in terms of Full Time Equivalent, POiD hired 26,5 SSAs in 2020[18];

- the ExB workforce – ExB mobilized 34 persons as at 31 December 2020. Being financed by donors, they are also not included in the approved UB posts list.

236. This workforce table also shows that as at 31 December 2020, the proportion of secondees (17 secondees) was only 10 percent of the OSCE POiD staff, which contradicts, in the case of POiD, the widespread belief that secondees are largely predominant in the field operations.

Finding: At POiD, the actual available workforce (including persons under special service contract "SSA" evaluated in terms of Full Time Equivalents over the whole year) was almost 196 persons at 2020 year's end. At the same moment, the proportion of secondees was only 10 percent of the POiD staff.

[18] The SSAs are not included in the approved UB posts list, because they are not considered as staff, but as a procurement of external services. But based on the Procurement Global Report ("EiS Report") available in IRMA, one can make an estimation of the number of SSA's in terms of Full Time Equivalent during a given period (i.e., year 2020 and 1st semester 2021).

3. Financial overview of POiD activities in 2020

237. The following table gives an overall UB/ExB financial overview of POiD activities in 2020[19]:

Table 2. Budgeted versus actual amounts in 2020 (in thousands of euros)

Budget	Dimension	Number of projects	Non-staff Budgeted	Non-staff spent	Staff Budgeted	Staff spent	Total Budgeted	Total spent
Unified Budget (UB)	Politico-Military	5	1 371	1 355	381	352	1 752	1 707
	Economic & Environmental	5	732	716	291	290	1 023	1 006
	Human	6	660	638	374	372	1 034	1 010
	Total thematic UB	**16**	2 763	2 709	1 045	1 013	3 808	3 722
Extrabudgetary (EXB)	Politico-Military	5		794		543		1 338
	Human	1		501		41		542
	Total thematic ExB	**6**		1 296		584		1 880
TOTAL Thematic Projects		**22**	**2 763**	**4 005**	**1 045**	**1 597**	**3 808**	**5 602**
Unified Budget	Head of Mission	5	524	489	646	610	1 169	1 099
	Fund Administration Unit	2	972	1 023	1 064	1 000	2 036	2 023
	General Policies	3	298	305			298	305
TOTAL Non-Thematic Projects		**10**	**1 793**	**1 817**	**1 710**	**1 609**	**3 503**	**3 426**
GRAND TOTAL Unified Budget + ExB		**32**	**4 557**	**5 821**	**2 755**	**3 207**	**7 312**	**9 028**
						Total UB 2020		**7 149**

Source: IRMA Budget ledger.

238. This table shows that the POiD approved UB for 2020 amounted to EUR 7,312 thousand, of which EUR 7,149 thousand were actually spent – so that the POiD UB implementation rate is 97.8 percent - with such a rate, at first sight, one might think the COVID-19 pandemic did not have a significant impact on the UB implementation, but in fact, the COVID impact was partly "neutralized" by structural transfers between initial and final approved budgets.

4. Impact of the COVID-19 pandemic

239. The financial reallocations, mainly due to the COVID-pandemic, are shown in the following table:

Table 3. Final versus original 2020 approved Unified Budget (in thousands of euros)

UB Projects	Non-staff		%	Staff		%	Total		
	Initial	Final		Inital	Final		Initial	Final	
Thematic	2,846,500	2,763,079	-2.93%	1,012,700	1,045,400	+3.23 %	3,859,200	3,808,479	-1.31%
Non thematic	1,556,400	1,793,421	+15.2%	1,896,000	1,709,700	-9.83%	3,452,400	3,503,121	+1.47%
Total	4,402,900	4,556,500	+3.49%	2,908,700	2,755,100	-5.28%	7,311,600	7,311,600	0.00%

Source: IRMA budget ledger.

240. This table shows that, to adapt to the pandemic:

- for the 16 UB thematic projects, the UB allocated resource was reduced by -1.31 percent, the non-staff budget was reduced by -2.93 percent, while the staff budget

[19] These financial data are extracted from the IRMA budget ledger. They do not include accruals, and therefore, they cannot be compared to the IPSAS financial data, in particular those presented in the segment reporting annexed to the 2020 financial statements

increased by +3.23 percent, which results in a lower productivity ratio (i. e., a higher staff cost for less external spending);

- symmetrically, for the non-thematic activities (i.e., essentially Head of Mission Office and Chief of Fund Administration -CFA), the UB approved resource was increased by +1.47 percent, but this limited increase results from a sharp increase of approved UB resources dedicated to non-staff expenses (+15.23 percent), offset by a sharp decrease for staff costs (-9.83 percent).

241. In substance, the mains changes are the following:

- in 2020, POiD purchased COVID-19 personal protective equipment and infection prevention and control items for Office needs and for distribution to the POiD counterparts in the amount of EUR 263,640, which were procured from the staff costs savings and partial allocations from the thematic projects to non-thematic projects (Programmatic departments' General Policy budgets);

- Other fund reallocations also took place, thanks to savings linked with the COVID pandemic: the table *supra* shows that the increase of non-staff allocations for non-thematic projects between initial and final 2020 Unified Budget amounts to EUR 237 thousand (=1 793-1 556). In particular, for about half of this amount, i.e. for EUR 110 thousand, POiD acquired in 2020, in coordination with Secretariat Mission Support Section and from savings in FAU non-staff costs during last quarter 2020, two Toyota SUV vehicles, which were not foreseen in the initial 2020 budget.

Finding: One of the main visible impacts of the COVID-19 pandemic on POiD budget implementation in 2020 is that it reduced the activity of “thematic” Unified Budget projects, generating surpluses that were transferred to “non-thematic” projects in order to carry out procurement operations which were not planned in the original Unified Budget.

5. Internal Control: Walkthrough Process

242. A walkthrough test is an audit procedure designed to gauge the reliability of an entity's accounting system: the principle is to trace a transaction “step-by-step” through the accounting system, from its inception to the final disposition. The purpose of these walkthroughs is to demonstrate the effectiveness of the OSCE system of internal controls and provide evidence to support the Letters of Attestation signed by Fund Managers and Chiefs of Fund Administration at the end of the financial year, which in turn serve as the basis for the Secretary General to sign the annual Statement on Internal Control.

243. The last Walkthrough Process was initiated at POiD in November 2020 and ended in mid-January 2021. By discussing with the reviewers, the External Auditor estimates the time spent by the review teams to be approximately 100 men days.

244. The External Auditor noted that the Internal Control Walkthrough Process does not include the Payroll process nor the Human Resources Recruitment Process for staff members although staff costs represent two thirds of POiD expenditure in 2020.

Finding: The Internal Control Walkthrough Process does not include the Payroll Process nor the Human Resources Recruitment Process.

Recommendation n°1 (*Priority* 2). The External Auditor recommends the Secretariat to include, starting from next year, a Payroll and HR local staff recruitment Internal Control Walkthrough Process in the template provided to the Missions.

245. Secretariat's answer to recommendation n°1: *"The finding and the recommendation are accepted. These areas will be added to the next Internal Control Walkthrough template. Ownership on this action should be assigned to DHR, with DMF support".*

6. Compliance with the principle of financial separation UB/ExB

6.1. Indirect Common Costs

246. To charge local and central Unified Budget structural costs to Extra-Budgetary (ExB) projects, a new system was introduced in 2018.

247. New ExB projects registered in the Oracle system after 28 May 2018, have to be developed in order to allocate project indirect common costs ("ICC"). The indirect common costs are charged as a lump sum based on all actual invoices for the respective period. In the case of the ExB projects implemented by POiD, the lump sum is calculated based on 1 percent of actual invoices to cover Secretariat costs (Headquarters) plus 6 percent of actual invoices to cover POiD structure costs.

248. The current POiD ExB projects that were registered in the Oracle system before 28 May 2018, do not have to contribute to the indirect common costs. That means that for current ExB projects that were negotiated with donors and entered in the system before 28 May 2018, the Unified Budget (UB) is subsidizing Extra-Budgetary (ExB) projects by offering them "for free" the local and central indirect structure costs.

249. During the audit (beginning of July 2021), only one project out of six, i.e., "Foreign Policy Instruments" (FPI), was placed under the new ICC system, and the External Auditor checked in Oracle that the other five current ExB projects did not reimburse any ICC.

250. Assuming that the 7 percent rate corresponds to the actual infrastructure costs incurred by UB on behalf of the ExB projects, the table below gives an estimate of the net cost to the Unified Budget for the five ExB POiD projects that remain exempt from this new indirect cost contribution (the column "actual expenses" sums up the invoices that were paid since 28 May 2018 up to 30 June 2021 (roughly three years) by the five projects.

Table 4. Unshared UB/ExB structure costs from 28 May 2018 to 30 June 2021 (in euros)

Project N°	Project Name	Actual Expenses	7% of Actual Expenses
5500355	Supporting and strengthening the Women's Resource Centres	1,099,083.77	76 ,935.86
5500426	Integrated Cooperation on Explosive Hazards Programme	931 ,914.51	65 ,234.02
5500502	Improvement of SALW physical security in Tajikistan	665,265.75	46 ,568.60
5500596	Patrol Field Capacity Building of the Tajik Border Troops	437 ,032.58	30 ,592.28

5500597	Border Management Staff College, Dushanbe, Tajikistan	2,021 ,766.55	141,523,66
TOTAL		**5,155 ,063.16**	**360,854.42**

Source: IRMA Budget Ledger.

251. The result of these calculations, based on recorded invoices, shows that the unshared ExB cost for UB is material – about EUR 120 thousand per year for POiD ExB activities.

Finding: the ExB projects that were contracted with the donors before 28 May 2018, and which are still active, are exempt from contribution to the Indirect Common Costs (ICC), and represent today a significant net cost for the Unified Budget (a yearly EUR 120 thousand for POiD alone). This situation, inherited from the past, is not compliant with the principle of mutual financial independence and separation of UB/ExB financing.

Recommendation n°2 (*Priority 1*). The External Auditor reminds that any extension of ExB projects registered in Oracle before 28 May 2018, is considered as a new project, and as such, should in all cases have to contribute to the Indirect Common Costs (ICC), so that within a short period of time, the subsidizing of ExB by UB through unshared structure costs should end.

252. Secretariat's answer to recommendation n°2:

- *"Currently, there are 62 projects registered in the system with no ICC. CPC/PESU has been supporting the closure of these cases when they are completed and not extended further, to the extent possible. However, due to the challenges caused by the pandemic on the ExB project implementation and consumption rate, numerous Project Managers have had to request an extension of their projects' end-dates as programmatic teams need more time to adjust and/or implement planned activities in such challenging circumstances. In a limited number of cases, when the project has been registered pre-May 2018 and therefore not subject to ICC (62 ExB projects Organisation-wide), granting such an extension results in continuing the delivery of programmatic activities free of ICC;*

- *Management is aware of this situation and is confident that procedure currently in place, with request for EXB project extension going through formal assessment process when deemed required, is sufficient to ensure only legitimate extension requests are granted in exceptional cases. Furthermore, most of ExB projects registered pre-May 2018 will end at the end of 2021 (42 out of 62) and a separate note will be issued by CPC in cooperation with DMF to these to ensure their timely closure. The remaining 20 will be phased out upon completion."*

6.2. Direct common costs

253. POiD rents 2,941.1 square meters (sqm) of Office space in Dushanbe from the State Committee on Investments and State Property Management of Tajikistan, under a lease agreement expiring in December 2022. The rented property consists of five buildings on a plot of about 15,000 sqm. The rental for the entire leasehold amounts to USD 29,416 (USD 10 by sqm) per month. In 2020, POiD paid a rent of EUR 255,739.

254. The rent of POiD premises is invoiced to UB by the lessor on the basis of the number of square meters rented (USD 10 per sqm), while the actual cost share of this rent to ExB projects is allocated each month on the post positions of the projects against the total positions at POiD. This calculation is compliant with FAI 2, paragraph 5.5.5.

255. The External Auditor considers that as a direct cost, and in order to comply with the principle of financial neutrality between UB and ExB financing, the cost allocation of this rent to extra-budgetary projects should be established on the same basis for UB and ExB. And since OSCE cannot impose to the lessor the FAI 2 § 5.5.5. basis, in such cases, the lessor's basis (i.e. USD 10 per sqm) should be applied to ExB projects.

256. In the present case, such a change in the calculation would probably lead to increase the costs allocated to ExB projects. In other situations, it could be the reverse. But the principle of equal treatment of direct costs for UB and ExB should in principle be applied, regardless of the direction in which its application operates.

Finding: The application of FAI 2 §5.5.5 implies, in the case of the rent for OSCE's compound in Dushanbe, an allocation favorable for ExB projects, which pay their share on the basis of post positions, implying an implicit subsidy from UB which pays the rent on the basis of square meters. UB cannot impose FAI 2 to the lessor, so the only way to apply an equal treatment for UB and ExB is to modify FAI 2 and to bill ExB projects occupancy of POiD buildings on the basis of square meters.

Recommendation n°3 (*Priority 2*). The External Auditor recommends updating FAI 2 to apply, wherever possible, similar bases for the allocation of direct costs to the Unified Budget and extra-budgetary activities.

257. Secretariat's answer to recommendation n°3: *"FAI 2 deals specifically with the Unified Budget and the mechanism described in paragraph 5.5.5 is intended purely to allocate common costs within the UB to programmes. It was not intended as a tool to recharge costs to ExB projects. In this specific instance, the ExB projects also make use of common areas within the Mission accommodation. Consequently, a charge based solely on the space occupied by ExB would not cover the use of common areas and so a per capita allocation key was selected."*

7. Fleet renewal

258. In 2019, POiD estimated the theoretical optimal fleet size at 25.5 vehicles, based on an analysis of each type of vehicles required for each task and activity within a year – this is significantly below the actual number of vehicles of 34[20].

259. In October 2020, accumulated savings in the POiD Fund Administration Unit non-staff costs were identified, allowing the procurement of two additional vehicles to perform office duties.

260. Based on IRMA database, the situation for new vehicles recognized as assets in 2021 and ot the old vehicles to be disposed of was, as of July 31st, 2021, the following.

Table 5. Most recent vehicles recognized as assets, and planned disposals

ASSIGNMENT	SERIAL N°	BRAND	MODEL	PRICE	ASSET CREATION
SEO	JTEBU3FJ0L5090400	TOYOTA	LAND CRUISER PRADO	44069,45	18-Feb-21
Un-assigned	=	TOYOTA	PRADO	63530,60	21-June-21
Un-assigned	JN1TCSY61Z0570302	NISSAN	PATROL STD 4.2	26018,00	12-Jan-14
Un-assigned	JN6CY11Y89X476367	NISSAN	PATROL STD 4.2	27000,00	12-Jan-14

Source: IRMA

[20] And 36 according to the IRMA database as at July 31st, 2021: two old vehicles which are no longer assigned to any use, are still registered in IRMA at that date.

261. Based on information gathered on-site, one of the PRADO TOYOTA was assigned (although this is not recorded in the IRMA data base as of July 31st, 2021) to the Head of Mission, and the second (as recorded in IRMA at the same date) to the Senior Executive Officer – the previous vehicle assigned to the Head of Mission[21] was not disposed of but reassigned to the Chief of Fund Administration[22].

262. POiD reminds that it aims to comply with the OSCE standard to have TOYOTA vehicles in the fleet, as TOYOTA has been the New Standard Brand for OSCE Light Vehicles since 2017.

263. The initial 2020 Unified Budget did not foresee the acquisition of these vehicles, but their purchase was approved by the Asset, Logistic, Travel and Support Unit (ALTSU) in OSCE Secretariat in Vienna and confirmed with the Secretariat Mission Support Section.

264. The argument of ALTSU to approve this operation was the following (mail dated 20 October 2020, addressed to POiD CFA): "*There is a clear case for the asset disposal plan that you set out. I agree with all the conclusions for disposal based on points accumulated for age and mileage. I further agree to the procurement plan to replace the vehicles being disposed of*".

265. In fact, the two old Nissan Patrol vehicles with a high mileage, assigned to the pool of vehicles for shared use which were disposed of were not exactly "replaced", as mentioned in the above mail: instead, one new vehicle replaced a reassigned vehicle, and the second one was just a new vehicle in the POiD fleet.

266. In the given case:

- the operation was not initially budgeted for, and it was only made possible thanks to unexpected savings due to the pandemic;

- one of the new vehicles replaced a vehicle that was not disposed of, but was reassigned to another user;

- the other new vehicle did not replace any preexisting vehicle of the fleet;

- it was decided that two old vehicles, pooled for shared use, would be disposed of (they still were present but unassigned in the IRMA database as of July 31st, 2021) and would not be replaced by the new ones, assigned for personal use.

267. In the light of these it is not established for the External Auditor that this operation, while fully compliant with the rules, was the most economic, efficient and effective way for OSCE to deal which such a case.

[21] A 2015 NISSAN QASHQAI Serial n°SJNFDNJ11U1288431.

[22] POiD reminds that there is no permanent assignment of any vehicle: the OSCE Transport Management provides that "individuals to whom vehicles have been assigned shall in any case allow other authorized OSCE personnel to use the vehicle, provided that they received permission prior to handover".

Finding: The POiD vehicle fleet is ageing, and based on a 2019 theoretical estimate, its present size is probably excessive. In terms of fleet renewal, the External Auditor noted the acquisition of two non-initially budgeted vehicles in 2020. Savings due to the pandemic gave an opportunity to renew partially the fleet. One vehicle was allocated as official vehicle to the Head of Mission, whose former vehicle was reallocated to the Chief of Fund Administration, and the second was allocated to the Senior Executive Officer. At the same time, two ageing vehicles allocated to the pool of vehicles for shared use were disposed of. The compliance of this operation with the general principles given in FAI 7 and with the recent recommendations issued by the Internal Auditor has been confirmed by ALTSU.

268. Secretariat's answer to this finding: *"The disposal of vehicles was done exactly in line with procedure in FAI 7. The analysis of the disposal was comprehensive. The decision to dispose of the two vehicles is the correct one".*

269. However, the External Auditor recalls that his question did not concern vehicles disposed of (which were still not disposed of at the time of his on-site audit), but new vehicle acquisitions. On that question, according to the same Secretariat's answer "ALTSU agrees that there is room for discussion on most economical vehicle allocation".

Part 5

REPORT ON FOLLOW-UP OF THE EXTERNAL AUDITOR'S PREVIOUS RECOMMENDATIONS

270. The External Auditor reviewed the status of the recommendations issued by his predecessor for the previous fiscal years (2016 to 2019). The action plan, as at end of October 2020, included a total of 20 recommendations accepted by the Secretariat which were in the process of being implemented as of fall 2020.

I. SITUATION AS OF END OF OCTOBER 2020

271. The External Auditor met in Vienna, at the end of October, 2020 with the action officers responsible for implementing each recommendation, he completed document PC.ACMF/91/20 Rev 1 by including his own comments and proposals in the last column. At the end of this review, the External Auditor considered that:

- twelve recommendations could be closed, either because they had been implemented or because they no longer met current needs (recommendations 2016-6 and 7; 2017-7 and 14; 2018-1 and 2; 2019-1, 2, 3, 7, 9, 10 and 11). The case of recommendation 2017-14 is particular - it is about "continuing efforts to achieve gender balance, particularly for senior management" - by definition, no deadline can be set for such a general and permanent objective, insofar as the recommendation does not propose any ratio at a specific date to allow for measurable follow-up;

- the status of one recommendation (2017-1) was still pending: it proposes to modify the system of provisional budget allocations in the event of a delay in the approval of the budget for the current fiscal year, but the External Auditor doubts it needs further follow up, since its implementation does not depend on the Secretariat, but on a decision by the Permanent Council;

- two recommendations (2018-5 and 2019-4) were not scheduled to be implemented until 2022 or later, so they should continue to be followed up.

272. This leaves five recommendations (2017-1 and 11 and 2019-5, 6 and 8) which, when PC ACMF/91/20 Rev. 1 was prepared, were scheduled for implementation between November 2020 and the end of FY 2021.

II. SITUATION AS AT END OF AUGUST 2021

273. The External Auditor reviewed these recommendations again in August 2021, and his findings and proposals are as follows :

1. Recommendation 2017-1 (Priority 2)

Recommendation

274. “*In order to reduce the economic constraints caused by the 1/12 extension once the first quarter of the extended budget has been overcome, PC could consider to modify FR 3.04 in the sense of regulating provisional allotments until the new budget is approved on a quarterly basis, instead of monthly as currently”.*

Secretariat’s answer

275. *“Accepted. The Secretariat will propose this amendment to the ACMF for consideration and possible recommendation to the PC”* No defined deadline for DMF/BFS/Budget Unit action (“subject to budget cycle change approval”).

Status as at August 2021

276. Same as at end of Oct. 2021: “The budget reform is still an outstanding topic at the ACMF and other relevant pS. DMF/Budget Unit will continue working on this issue with the Chairmanship, as appropriate.”

Finding: No expected progress – depends exclusively on Permanent Council’s decision. To be followed up.

2. Recommendation 2017-11 (Priority 2)

Recommendation

277. “To the Secretariat, to consider the possibility of making request form for Short Term Appointments (STA) electronic, avoiding paper and providing automatically all the computations from the data available in IRMA (i.e. “previous period of temporary assistance”, “break taken”; and “STA period available”)”.

Secretariat’s answer

278. “*Accepted. DHR factored in this feature in the new Talent Acquisition Platform, including vacancy type “STA” and workflow approval process prior to vacancy issuance”*. Initial deadline for action: Third quarter 2021.

Status as at August 2021

279. Same as at end of October 2020 (“*the automation of the request for STAs is being considered as part of the implementation of the new Talent Acquisition tool”*).

Finding: Even if a new Talent Acquisition tool is implemented, the recommendation could be considered as only partially implemented, since the new tool is not designed to provide computations as required. Still to be followed up**.**

3. Recommendation 2019-n°5 (Priority 2)

Recommendation

280. “The relevant responsible staff member could issue clear instructions for the recording and maintenance of the excel files that register Exception Requests (ERs) along the year, in order to avoid mistakes, maintain consistency and thus improve accuracy and make those files more useful for informative and audit purposes.”

Secretariat’s answer

281. “*Partially accepted. DMF/ISC will develop an instruction/SOP on the ERs register maintenance and update to make sure the information reflected in the file is accurate and up-to-date. DHR already has a clear process for registry and recording of ERs.”* Initial deadline for action: November 2020.

Status as at August 2021

282. DMF/ISC’s answer: “Implemented. DMF/ISC Unit has updated the ER registry and streamlined the ER handling procedure. In addition, DMF related ER handling was handed over to ISC Unit as of January 2021. An Inter-Office Memorandum was issued on 09 February 2021 to all Executive Structures, approved by D/DMF, on updated ER handling procedure and the workflow (similar to DHR ER handling procedure)”

Finding: Recommendation 2019-n°5 can be closed.

4. Recommendation 2019-n°6 (Priority 2)

Recommendation

283. "*Office of Legal Affairs (OLA) or other responsible person could at least date and sign the Exception Requests (ER) form, even if they do not make any comment to it, as proof of its submission and review".*

Secretariat's answer

284. *"Recommendation Accepted. DMF will update the ER process to ensure that the corresponding box for OLA comments is always filled and signed, including date, signature and justification in case no OLA review is necessary*". Initial deadline for action: Nov.2020.

Status as at August 2021

285. DMF/ISC's answer: *"Implemented, according to the updated ER handling procedure and workflow, it is mandatory that the ER focal point checks that the OLA box is filled. ER is not processed further by ISC Unit until all boxes are filled".*

Finding: Recommendation 2019-n°6 can be closed.

5. Recommendation 2019-n°8 (Priority 2)

Recommendation

286. "*The procedure to manage Exception Requests to Staff Regulation/Staff Instructions should be completed, reviewed and given official status."*

Secretariat's answer

287. "Accepted". Initial deadline for DHR action: Q1 2021.

Status as of August 2021

288. Same as at end of Oct. 2020: *"DHR will review the existing SOP for submission and management of ERs and consider whether to put this on a firmer administrative basis – for example an IoM or staff circular*".

Finding: In progress – to be followed up.

III. ACKNOWLEDGEMENTS

289. The External Auditor wishes to express his deep appreciation to the Secretary General, the Heads of the OMiK and POiD missions, DMF and DHR, and their respective staff for the quality of their reception and the accuracy of the information they provided.

End of audit observations.

APPENDICES

Appendix 1 – Financial Statements – Table of unadjusted differences

Unrecognized adjustments (in thousands of euros)	**Impact on the statement of financial position**					**Impact on the statement of financial performance**
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net equity	
Foreign currency conversion	(716)				(716)	(716)
SMM transactions (1)	0	0	0	0	0	0

Source: Work of the External auditor

(1) For technical reasons specific to the SMM, some revenues and expenditures are recognized although they do result from transactions with third parties. This non-compliance with IPSAS principles has no effect on the surplus/deficit for the year, but it results in artificially increasing the volume of OSCE's statement of performance (revenue and expenditure) by €2.475 million.

Appendix 2 – Human Resources audit – Terms of Reference

Scope

This performance audit will concern Human Resources management, as part of the mandate of the French *Cour des Comptes* as External auditor of OSCE since May 2020.

The audit will examine the efficiency of Human Resources management, paying particular attention to issues related to the rotation/retention of senior professional staff.

Purpose and Objectives

The objective of this audit is to assess the OSCE management of its human resources in the current context of budget constraints. It will examine:

- Transparency of HR-related expenses,
- Staff management efficiency,
- Reliability of internal control on HR management,
- Mitigation of legal and ethical risks.

Regarding the difficulties met to retain its senior professional staff, OSCE has experiences a high turnover rate of its high-level staff over the past two years.in the context of a zero nominal growth environment, expected deliverables could be:

- An assessment of different HR scenarios relying on various parameters such as legal framework or internal HR processes. Potential metrics could be monetary expenditures or efficiency gains,
- A comparative analysis of the current HR rules and similar international organisations,
- Recommendations to the Permanent Council aimed at improving the quality of HR management..

Methodology

The audit will be based on:

- The analysis and examination of relevant official documents,
- Questionnaires sent to the OSCE,
- interviews with the managers involved, to collect and analyse their expectations and observations in terms of HR management, with a view to identifying any sources of dissatisfaction and suggesting remedial solutions.

Schedule of work

The audit will take place in Vienna, as soon as sanitary conditions will allow, likely from 8 June to 18 June 2021. On-site interviews will be scheduled as soon as possible.

A first questionnaire will be sent to the OSCE at the end of April 2021, with replies expected by the 28 May (deadline).

Preparation and delivery of the audit report

Two phases are planned:

- Phase 1: the External auditor will prepare and send a draft report to the OSCE for clearance;
- Phase 2: taking into account the replies to the draft report, a final report will be prepared and sent to the OSCE. It will then be presented to the Permanent Council during the session usually devoted to the External auditor’s reports. Prior to this presentation, the final report will be presented to the relevant ad hoc committees according to the usual procedures and schedules of the OSCE.

Appendix 3 – Human Resources audit – List of persons met

- Mr Micheal Conneely, Director, Department of Human Resources
- Mr Marc Kervella and Mrs Susanne Frueh, Office of Internal Oversight
- Mr Aaron Peacock, Chief, Talent Development Unit
- Mrs Nataliya Nechytaylo, Chief, HR Administration
- Mr Robert Post, Chief, Payroll and Data Analytics
- Mr Warren Hokan, Chief,HR Policy and Employee Relations
- Mrs Jelena Segan, Acting OSCE Ethics Co-ordinator
- Mr Nizar Zaher, Senior Finance Assistant
- Mrs Beate Boehm, Adviser, Human Resources
- Mrs Sanja Ciso-Ayi, Acting Planning and Coordination Officer Department of Human Resources
- Mr Gustavo Araujo and Mrs Sakina Saodatkadamova, Talent Acquisition unit , Department of Human Resources
- Mr Igor Mesner, HR Officer of Mission in Serbia

Appendix 4 – Staff members' geographic origin

	High Level Planning Group (HLPG)	ODIHR	Representative on Freedom of the Media	High Commissioner on National Minorities	Secretariat	Kosovo	Bosnia and Herzegovina	Moldova	Montenegro	Serbia	Mission to Skopje	Mission at the two Russian Checkpoints	Albania	Programme Office in Bishkek	Programme Office in Dushanbe	Programme Office in Nur-Sultan	Project Co-ordinator in Ukraine	Project Co-ordinator in Uzbekistan	Ashgabat	Special Monitoring Mission to Ukraine	C-i-O (Minsk Conf.)	**TOTAL**
Ukraine		6	1	4	15	1											107			481		**615**
Serbia		4		2	15	368	1		4	132		2	1			1		1		20		**551**
Bosnia and H.		4	2		19	9	291	1			3	2	1				1			59	1	**393**
North Macedonia		4		1	11	12	3			1	122	1	2	1	1					27		**186**
Tajikistan		3			5	2						1			144					20		**175**
Kyrgyzstan		1		1	7			1		1		2		105	2					33	1	**154**
United States		11		1	26	7	10	2	2	3	3		1	1	2	1			1	76		**147**
Poland		69	1	1	8	1				1	2	1			1	1				39	1	**126**
Moldova		2		1	8	4	2	42		1	1	2	1	1	2	1				51	1	**120**
Austria	1	1	4		87	3		1			3		2	1	2					12		**117**
United Kingdom		7		2	23	6	5	1		3	8					1				52	1	**109**
Italy		6		3	42	12	4	1	1	4	4		5	2	1					21		**106**
Albania					8	6							75							9		**98**
Germany		6	2	1	28	3		2		2	1		1		2		2	1		37	1	**89**
Russia	2	7	1		17	1	1	2		1				3	4	1				40		**80**
Canada		1		1	12	4	3		1	1					1			1		41		**66**
Bulgaria				1	3	4					1	3	1			1			1	47		**62**
Romania		7			10								2							40		**59**
Georgia		3		1	5	3					1	2		1	1	1				28	5	**51**
Uzbekistan					3									1	4			39		1		**48**
Kazakhstan		3	2	1	4			1								21				5		**37**
Greece		2			5	2	1				1	1								23		**35**
Hungary		1		1	8		1				1	1				1				21		**35**
France		2		1	14						1	1						1		13		**33**
Turkmenistan				1	3										1				27			**32**
Croatia				1	11	1	1		1								1			13		**29**
Spain		2			10	3	1				2									11		**29**
Montenegro					1	1			20						1				1	4		**28**
Sweden	1	3	1		8						1				1					13		**28**
Czech Republic		3			10		2				1									11		**27**
Slovakia		2		1	6	1				1	1									15		**27**
Finland		2			4			1												19		**26**
Netherlands		1	1	4	10	1								1						6		**24**
Norway		3		2	10				1	1										7		**24**
Turkey	1				3						2	1								16		**23**
Ireland	1	1		1	6	2														10		**21**
Belarus		2		2	3			1				2			1				1	5		**17**
Switzerland	1	1			6									1						6		**15**
Armenia			2		3				1			1	1							2	4	**14**
Azerbaijan		1			2									1	2					2	2	**10**
Denmark		1		1	2												1			4		**9**
Latvia		1			2															5		**8**
Belgium				1	2															4		**7**
Slovenia		1			5															1		**7**
Estonia																	1			3		**4**
Lithuania		1			1											1				1		**4**
Portugal			1																	2		**3**
Mongolia					1															1		**2**
Andorra					1																	**1**
Iceland					1																	**1**
Japan																				1		**1**
Liechtenstein					1																	**1**
Luxembourg					1																	**1**
Malta				1																		**1**

APPENDIX

OSCE PROVIDENT FUND STATEMENT

OSCE Provident Fund Summary Statement

Unaudited - For Information Purposes Only

For the Year Ended 31 December 2020

	Deposit Administration Funds				International Equity Funds				European Equity Fund		Total Funds
	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	EUR '000
Opening Balance as at 1 January 2020	**81,687**	**105,171**	**6,444**	**6,834**	**14**	**922**	**27**	**1,971**	**71**	**1,372**	
Contributions/Premium Allocation	12,103	15,584	727	773	1	42	2	154	10	181	
Unit Adjustments	-	-	-	-	-	-	-	-	-	-	
Surrenders	(6,929)	(8,921)	(1,266)	(1,344)	-	-	(8)	(523)	(11)	(192)	
Withdrawals	(1,252)	(1,612)	(64)	(68)	-	-	-	-	(1)	(9)	
Switch Out	(14)	(18)	(3)	(3)	(1)	(59)	(1)	(47)	-	-	
Switch In	45	58	37	40	0	4	0	10	1	18	
Transfer Out	-	-	-	-	-	-	-	-	(0)	(4)	
Transfer In	-	-	-	-	-	-	-	-	-	-	
Fees (Administration Fee and Establishment Charge)	-	-	-	-	-	-	-	-	-	-	
Total movements during year	**3,954**	**5,091**	**(568)**	**(603)**	**(0)**	**(13)**	**(6)**	**(405)**	**0**	**(6)**	
Guaranteed Interest on Opening Balance	-	11	-	34	-	-	-	-	-	-	
Guaranteed Interest on units accumulated during year	-	0	-	(3)	-	-	-	-	-	-	
Deposit Administration Bonus Units (additional interest)	110	142	27	28	-	-	-	-	-	-	
Market Value Adjustment	-	-	-	-	-	59	-	236	-	14	
Closing Balance as at 31 December 2020	**85,750**	**110,415**	**5,903**	**6,291**	**14**	**968**	**21**	**1,802**	**71**	**1,381**	**119,536**