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**STATEMENT BY
THE MEMBER STATES OF THE EUROPEAN UNION AT THE
1483rd MEETING OF THE OSCE PERMANENT COUNCIL**

18 July 2024

On the report of the External Auditor and the report of the Audit Committee

The Member States of the European Union welcome Ms. Margit Kraker, President of the Austrian Court of Audit, and Mr. Martin Guozden, Chairperson of the Audit Committee, to the Permanent Council and thank them for their detailed reports.

We fully support the work carried out independently by the External Auditor, who, together with the Audit Committee and the Office of Internal Oversight, plays an essential role in promoting effective and efficient management at the OSCE.

We are grateful to Austria and, in particular, to the Austrian Court of Audit for having agreed to take on the function of External Auditor in exceptional circumstances, at a very late stage in 2023 and for a tenure of just one year, even though the normal tenure, as laid down in the Financial Regulations, is three years unless otherwise decided by the Permanent Council.

We note with satisfaction that you have issued an unqualified opinion on the Financial Statements for 2023. We are pleased that no deficiency or error that might be considered to impinge on the accuracy, comprehensiveness and validity of the Financial Statements as a whole has been found in the course of the audit.

We take good note of the four principal recommendations and of the other observations contained in the report. We strongly encourage the Secretariat to take action on them as soon as possible.

We support, in particular, your recommendation that the Permanent Council should ensure that the External Auditor is appointed in a timely manner so as to avoid periods during which there is no such auditor. We recall that there were several unsuccessful calls for nominations last year, which put the Organization in a very difficult situation, with no designated External Auditor between May and September, at a time when there was an increasing need for extrabudgetary resources and there was no Unified Budget. Appointments for a short period of time also hamper the normal planning and professional work of External Auditors. We hope that the call for nominations issued by the Chairmanship will make it possible to appoint a new External Auditor in due course.

We support your recommendation to amend Financial Regulation 3.02 with a view to authorizing provisional transfers between Main Programmes and Programmes to an extent and in ways to be specified.

We take note of your recommendation that the OSCE should consider, in the case of non-approved Unified Budgets, a mechanism for indexing the last approved Unified Budget in accordance with Financial Regulation 3.04 by taking into account the effects of inflation or consumer price indices. We take this opportunity to reiterate the urgency of adopting the Chairmanship's Unified Budget Proposal for 2024 without delay and furnishing our Organization with the financial resources that it needs. We commend the determined efforts undertaken by the Maltese Chairmanship to that end. It is in this spirit that we call upon those participating States that have not yet joined the consensus and urge them to prioritize the Organization's interests, which are the common interest of all the participating States.

Accordingly, we are willing to support the adoption of the draft decision on the Financial Report and Financial Statements for the year ended 31 December 2023 and the Report of the External Auditor. We also reiterate the need to adopt the financial report and accounts for the year ended 31 December 2022.

We deeply regret that consensus has not yet been reached on adopting the draft decisions on the Financial Report and Financial Statements for the years ended 31 December 2023 and 31 December 2022. The participating States that are against their adoption are citing grounds that have nothing to do with those documents' purpose. These decisions are of a technical nature, and blocking them cannot but place an extra burden on the Secretariat and harm the Organization's reputation.

Madam Chairperson,

We thank the Audit Committee for its annual report covering the period from July 2023 to June 2024. We appreciate the content of the report along with the recommendations and comments that are to be found therein.

In particular, we share your concerns regarding the critical financial challenges that the OSCE is currently facing. We support your recommendation that a decision be urgently taken by the Permanent Council on the 2024 Unified Budget. We reiterate our urgent appeal to all the participating States to adopt a Unified Budget for 2024 as soon as possible, and we reaffirm our readiness to join the consensus on the Maltese Chairmanship's proposal. We also support your recommendation to validate the Financial Statements and to urgently appoint an External Auditor.

We approve of the notion that the Secretariat's Office of Internal Oversight should be endowed with sufficient financial resources to allow it to fulfil its mandate efficiently under satisfactory conditions and to maintain the Organization's internal control framework.

We share your view on amending Financial Regulation 3.04 so as to provide the Organization with quarterly provisional allotments instead of monthly provisional allotments if the Unified Budget has still not been approved after the first quarter of the relevant year. By the same token, greater flexibility should be allowed when it comes to provisional transfers of funds between Main Programmes and Programmes.

We concur with you on the urgent need to consider the projects included in the Capital Investment Plan for 2024 with a view to keeping the Organization's information technology infrastructure up to date. We are willing to review these projects and would like to receive an update in that regard.

We support your recommendation on the need to find a definitive and timely solution regarding the reform of the Scales of Contributions that meets the OSCE's financial requirements.

Given the growing trend towards extrabudgetary contributions, we support your recommendations to undertake efforts with regard to the Organization's cost recovery policy.

We share your view regarding the lack of an officially recognized international legal personality and acknowledge the importance of the Informal Working Group on Strengthening the Legal Framework of the OSCE.

Lastly, we strongly encourage the OSCE structures to implement the recommendations that you made in previous years and that have not yet been properly addressed. We regret that the recommendations requiring approval by the participating States remain, for the most part, on hold.

The candidate countries North Macedonia¹, Montenegro¹, Serbia¹, Albania¹, Ukraine, the Republic of Moldova, Bosnia and Herzegovina¹ and Georgia, the European Free Trade Association country and member of the European Economic Area Liechtenstein, as well as Andorra and San Marino, align themselves with this statement.

1 North Macedonia, Montenegro, Serbia, Albania and Bosnia and Herzegovina continue to be part of the Stabilisation and Association Process.