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**REPORT OF THE TREASURER
OF THE OSCE PARLIAMENTARY ASSEMBLY
TO THE STANDING COMMITTEE**

Mr. Johan Büser

Vienna, 23 February 2024



REPORT OF THE TREASURER

Mr. Johan Büser

OSCE Parliamentary Assembly
STANDING COMMITTEE MEETING

Vienna, February 2024

Audit Report / 31st Financial Year (2022/2023)

In accordance with Rule 41, Paragraph 3 of the Assembly's Rules of Procedure, I hereby present to the Standing Committee the audited accounts of the Assembly for the past financial year.

Enclosed within this report is Deloitte's audit for the fiscal year 2022/2023, including the Income and Expenditures Statement. The report extends to the positive outcomes of our inaugural Business / Performance Audit.

Conclusions of the Integrated Financial - Business / Performance Audit

Deloitte audited the OSCE PA's 2022-2023 financial year, yielding a clean audit opinion without any significant concerns or qualifications. Key observations included sound financial management, particularly in cost controls and procurement. Despite challenges like exchange rate fluctuations and increased operational costs due to inflation. The performance audit, adhering to ISSAI 3000 standards, reinforced the robustness of budget management, financial reporting, and internal controls. It's noteworthy that despite the need for procedural enhancements in certain areas, the overall financial management and cost efficiency of the Assembly remains strong, reflecting our ongoing commitment to transparency and accountability. **The audit report**



indicated that expenditures surpassed income, primarily attributed to the absence of the Russian Federation contribution, which represents 6% of the total budget. This shortfall significantly impacted the financial balance, underscoring the need for strategic financial planning to mitigate such discrepancies and ensure the Assembly's fiscal stability. In the 2022 / 2023 budget year, the budgetary reserves were used to cover the deficit resulting from Russia's failure to meet their obligations to OSCE PA.

While both the financial audit and performance audit has yielded positive results, it is crucial to acknowledge certain inescapable fixed expenses integral to our mandate. Among these, a dramatic increase in travel cost associated with supporting our increasing activities. As well as providing interpretation in the Assembly's six official languages as per our Rules of Procedure. The payment for these indispensable services aligns with the International Association of Conference Interpreters (AIIC's) standards and scale and is regularly adjusted. Acknowledging these non-negotiable costs is essential as we endeavor to harmonize the Assembly's fiscal discipline with its operational imperatives.

Amendment to the OSCE PA Financial Rules and regulations

On my initiative the OSCE PA's financial rules and regulations were amended and approved by the Bureau on January 26, 2024. The amendment mandated conducting both a financial audit and a performance audit on a yearly basis. This change aims to enhance the OSCE PA's managerial and operational efficiency. The amendment reflects the Assembly's commitment to continuous improvement, adapting to current international challenges and ensuring robust administrative practices for the future. The repeated performance audits analyses will focus on different aspects of organizational efficiency and financial management on a rotational basis, imitating the robust audit procedures of the OSCE governmental structures.



OSCE Parliamentary Assembly's Future Budget / 33rd Financial Year (01 October 2024 – 30 September 2025)

In accordance with our rules, I will present my initial budget proposal to the Bureau in Copenhagen on the 29th of April. In my role as Treasurer, my objective is to ensure that the budget for the 33rd Financial Year aligns with the political will of the Assembly. I have received input from numerous delegations concerning proposed budget modifications, which I intend to integrate into the upcoming budget. The forthcoming budget will feature more detailed descriptions than previous budgets, enabling participating states to know exactly how funds are spent. This will afford the Parliaments of the participating States a more comprehensive understanding of how funds are allocated and spent. Facing challenges like inflation and a foreseen short fall of contribution from the Russian Federation, further efforts will be needed to provide budgetary balance. The decision of Russia to not pay their dues, constituting 6% of the OSCE PA total budget, has a substantial impact on the Assembly's budgetary situation.

Taking into consideration that we are expecting continued non-payments from the Russian Federation, it is my responsibility to develop a budget in balance. This is money that cannot be taken from the reserves continually, or be accounted for by extra contributions from our member states year after year. In accordance with this, I have asked the International Secretariat to propose possible measures to be taken to counter the budgetary shortfall. Slight adjustments of contributions from member states could be considered to adapt to the current level of inflation. A responsible budgetary procedure, including structural reforms of the budget and considering budgetary cuts where it is possible, is however required to adjust to the decreased level of income.

The message from the Assembly has been that elections observation missions, statutory meetings and activities of Working Groups, Ad Hoc Committees and Special Representatives are prioritized. It is my intention to adapt the budgetary situation to the



organizational realities that we are currently facing, while not diminishing the organization's ability to fulfill its mandate and priorities. I welcome any input and comments from the Assembly regarding the orientation of the budget.

Election Observation / Activities

As approved by the Standing Committee in Vancouver the newly formed Parliamentary Support Team for Ukraine will receive budgetary funding in line with its political mandate. A preliminary assessment of the upcoming election cycle suggests that we are heading into an election super cycle during the next financial year, with elections anticipated in several countries. Given the increased cost and increased participation of parliamentarians combined with the unpredictable nature of the election calendar, our current election observation mission funding is insufficient and not aligned with our objectives. Consequently, an adjustment to the budget will be necessary to accommodate the increase in election observation participants and frequency of elections observed in the next financial year.

Inflation Mechanism for Wages

As Treasurer I am committed to aligning our financial strategies with the political will and objectives outlined in the Vancouver Declaration which emphasizes implementing enhanced staff retention policies. Given the historic inflation trends that have negatively impacted the staff of the secretariat as Deloitte has highlighted in their results of the performance audit, I will take this into consideration when making the next budget and find a balanced approach that is in the best interest of the Assembly.

Reserves Accrual



I will put forward a budget that aims to bolster the reserves by incrementally increasing the reserves accrual, specifically to counterbalance the deficit caused by the non-payment from the Russian Federation. This approach will progressively strengthen the OSCE PA's reserves, establishing a more robust and secure financial foundation for the Organization's future operations. It is important to note that the withdrawal of funds to cover the shortfall from the Russian Federation's non-payment in the 2022/2023 budget has exhausted the budgetary reserves which over time shall amount to 100 % of our budget according to the OSCE PA Financial Rules and Regulations. The Emergency reserves, which has a targeted threshold of 50 %, are currently at 44.5% as of the close of the financial year.

Ensuring Fiscal Responsibility and Financial Stability

In light of the recent Bureau seminar, we are taking proactive steps to enhance the financial governance of the OSCE PA. The introduction of an annual business performance audit, as discussed, will provide us with consistent, in-depth analysis of our financial and operational performance, ensuring continuous improvement and alignment with our commitments as outlined in the Vancouver Declaration.

We are also acutely aware of the current financial challenges, including the shortfall due to unpaid contributions and the need to support unbudgeted yet essential activities.

Your understanding, co-operation, and support in these endeavors are crucial as we navigate these challenging times and work towards securing a stable and responsible financial future for the OSCE PA.

Additional Contributions

It is important that National Delegations help support the Assembly. This can be done by:

1. Seconding personnel – We express our sincere gratitude to the Italian Government and the German Government for their valuable support seconding personnel to the Secretariat, and the Turkish Parliament for recently seconding personnel. The provision of in-kind contributions, including both goods and services, especially through seconded staff, plays a crucial role in ensuring the financial stability and operational effectiveness of the Secretariat.

2. Hosting the Assembly's Meetings and events: hosting statutory meetings and events are some of the largest contributions a National Parliament can make to the Assembly's work to foster dialogue, peace and security within the OSCE region. I would like to convey my appreciation to the Romanian delegation and their dedicated staff for their ongoing endeavors in preparing for our forthcoming Annual Session. I would also like to express my gratitude to the Armenian Parliament's delegation and their staff for hosting a successful Autumn Meeting under challenging circumstances and during a humanitarian crisis. Your efforts and all other parliaments that have previously hosted conferences and meetings are deeply appreciated.

3. Extra budgetary contributions: participating States are strongly encouraged to make extra budgetary contributions for specific events, including programmatic activities, election observation missions, seminars, and conferences that align with the interests and objectives of the OSCE PA and its participating States.

4. Support of our Secretariat in Copenhagen and our Liaison Office in Vienna: we are most grateful to the parliament of Denmark and the Government of Austria for their continuous support.



OSCE / OSCE PA Scales of Contribution

In accordance with Rule 41, Paragraph 4 of our Rules of Procedure national contributions to the budget of the Parliamentary Assembly shall be apportioned according to the formula used to divide the costs of the intergovernmental OSCE.

We all agree that the current scales of contribution to the OSCE and OSCE PA are neither rational nor balanced. A new system should be agreed upon and we hope that the OSCE's Advisory Committee on Management and Finance (ACMF) and the OSCE Permanent Council will soon reach consensus on a fairer formula than the present one. The OSCE PA is ready and willing to assist in this challenging process.

As we have discussed thoroughly in the Assembly and given the practical impossibility of amending the current OSCE PA Rules of Procedure to establish a new system for the Scales of Contribution in the PA we are committed to maintain the link between the Assembly and the Governmental side of the Organization regarding the apportioning of the total Budget. For our 2024 - 2025 budget we will therefore apply the current scales as approved by the OSCE Permanent Council. Nevertheless, I strongly encourage national delegations to contribute extra budgetary funding for projects, seminars, and conferences in line with the Assemblies goals.

In collaboration with the President and the Secretary General, we have taken the initial step of reaching out to participating States, with the objective of encouraging minor contributors - those whose annual allocations fall below 10,000 EUR - to consider increasing their contributions in accordance with the Assembly's 2015 Helsinki Declaration resolution.

I wish to extend my sincere appreciation to the San Marino, Icelandic and Estonian delegations for their leadership in this initiative, as they have chosen to augment their contribution amounts. Furthermore, I am grateful to the other delegations that



have expressed their commitment to increasing their contributions in the upcoming budget cycles.

Your invaluable support significantly contributes to advancing our mission of promoting peace, security, and co-operation within the OSCE PA region. I look forward to fostering an open and constructive dialogue, particularly with all minor contributors, to chart the course of this process, including the potential formalization of this approach within our rules of procedure or financial regulations. Your engagement in this matter is highly valued and underscores our collective dedication to the organization's goals.

Unpaid Contributions

I would also like to take this opportunity to remind all national delegations of Rule 41.5 - Where the Assembly's accounts show that a participating State has not made its due contribution for a period of 9 months, Members of its delegation shall not be allowed to vote until the contribution has been received. Currently the Russian Federation has not paid their contribution for the 22-23 Financial Year amounting to a shortfall of 245,657 EUR.
