



Recommendation 1230 (1994)¹

Social Development Fund of the Council of Europe: activities and outlook

Parliamentary Assembly

1. The Assembly attaches great importance to the Council of Europe's Social Development Fund which, since its establishment in 1956, has made a significant financial contribution to social and economic development in many of the Fund's member states, enhancing in particular these countries' capacity to absorb refugees and displaced persons.
2. The Assembly welcomes the opening of an "emergency account", alongside the existing "social account", designed to enable the Fund to make interest-free loans even in non-member countries to meet the urgent needs of refugees and displaced persons who are victims of exceptional circumstances such as war or generalised violence. This would have immediate application to the situation in the former Yugoslavia and the Caucasus.
3. As regards the Fund's resources, the Assembly notes with satisfaction that the majority of member states have taken part in the six-fold increase in the Fund's capital decided in 1990, with a view to giving the Fund a firmer financial base in anticipation of wider membership. It further notes that Austria, Bulgaria, the Czech Republic, Estonia, Hungary, Ireland, Lithuania, Poland, Romania, Slovakia, Slovenia and the United Kingdom have yet to join the Fund, but that Bulgaria, Lithuania, Poland and Slovenia are in the process of doing so.
4. The Assembly is deeply concerned at the irregularities in the operation of the Fund revealed by an internal audit. In the light of the conclusions of the audit reports, which the Assembly has obtained with a degree of difficulty which it deplores, the Assembly insists on the importance of the current reform of the Fund. This reform, as provided for in its revised Articles of Agreement, is designed to place greater emphasis on its original purpose of helping European countries to solve social problems resulting from the presence of refugees and displaced persons, and also to strengthen both the Council of Europe's control over the Fund and the monitoring of every aspect of the Fund's operations.
5. The Assembly welcomes the decision of the Fund's organs to standardise the rules for submission of projects financed by the Fund, to strengthen the monitoring of projects, to increase control over financial transactions, and to appoint an inspector to ensure that rules and procedures are respected.
6. The Assembly notes the resignation of the Governor of the Fund with effect from 15 November 1993, following the Committee of Ministers' recommendation, and welcomes the decision by the Governing Body of the Fund to continue to clarify responsibilities with regard to the facts revealed by the audit.
7. The Assembly takes note of the results of the recent elections for the leading posts in the Fund and urges the new leadership to act quickly to re-establish the solid reputation of the Fund as a well-managed and sound financial institution, ready to play an increasingly important role in promoting balanced development in Europe.

1. Assembly debate on 26 January 1994 (4th Sitting) (see [Doc. 6993](#), report of the Committee on Migration, Refugees and Demography, Rapporteur: Mr Eisma). Text adopted by the Assembly on 26 January 1994 (4th Sitting).



8. The Assembly asks to be regularly and fully informed, in accordance with the revised Articles of Agreement, about the functioning and operation of the Fund, so as to enable it to make fully informed recommendations in fulfilment of its statutory responsibilities and democratic control function.

9. The Assembly recommends that the Committee of Ministers:

- 9.1. continue to ensure that full use is made of its powers of supervision over the Fund;
- 9.2. invite the Governing Body of the Fund:
 - a. to improve co-operation with the Assembly;
 - b. to keep the Assembly fully informed of the measures taken to implement the recommendations arising from the 1992 internal audit reports and of those measures seeking to establish the responsibilities involved in the irregularities observed;
 - c. to reconsider the practice of making "global" loans, that is loans disbursed without prior allocation to specific projects, and to inform the Assembly of the results of investigations into the use of such loans as well as that of any unmonitored loans made in the past;
 - d. to keep the Assembly fully informed of the steps taken to recover any funds misappropriated from the Fund, including its autonomous pension fund;
 - e. to ensure that the Council of Europe Staff Regulations fully apply to the staff of the Fund in accordance with the decision of the Administrative Council in 1956 and the revised Articles of Agreement;
 - f. to invite the Administrative Council to take account, in the internal management of the Fund, of the Financial Regulations in force in the Council of Europe;
- 9.3. taking into account the strict observance of the new rules concerning the functioning of the Fund and the preceding guidelines:
 - a. encourage member states which have not yet done so to join the Fund;
 - b. invite the governments of the member states of the Fund:
 - to contribute generously to the newly-opened "emergency account", as well as to the social account;
 - to take part, if they have not already done so, in the fourth increase in the Fund's capital;
 - c. invite the Governing Body of the Fund:
 - to review the ratio of paid-up to subscribed capital, in order to increase the Fund's capacity to undertake operations in central and eastern Europe;
 - to pursue a more active information policy.