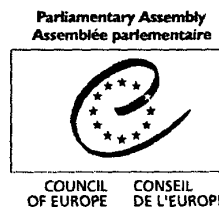


# Parliamentary Assembly Assemblée parlementaire



For debate in the Standing Committee — see Rule 15 of the Rules of Procedure

Doc. 10918  
2 May 2006

## Budgets of the Council of Europe for the financial year 2007

Report  
Committee on Economic Affairs and Development  
Rapporteur: Mr Paul Wille, Belgium, Alliance of Liberals and Democrats for Europe

### A. Draft opinion

1. The Assembly is especially concerned about the Council of Europe's 2007 financial situation. It regards as harmful the Committee of Ministers decision not to grant any additional appropriations in 2006 for implementing the three-year (2006-2008) programme of strengthening the Court, including 46 new posts as from 1 October 2006 and setting up a fifth section (unfreezing five posts).
2. The Assembly was informed by the Secretary General of the major difficulties the Council of Europe would be confronting in 2007 in a context of zero real growth and was given the following reasons:
  - 2.1. the need to finance additional posts in the European Court of Human Rights and the cost of reducing the backlog of the Court;
  - 2.2. the need to cover the cost of maintenance of the new General Building;
  - 2.3. the significant reduction in the credit balance from underspending in 2005, which was normally added to Members States' contributions.
3. The total additional requirements for 2007 amount to approximately € 10 million, i.e. 5% of the annual amount of the ordinary budget of the Council of Europe.
4. The Assembly rejects an approach which would oblige all administrative units to support these additional costs. This would inevitably limit drastically the Council of Europe activities. It considers such a scenario harmful to the Council of Europe as a whole. It finds it totally unacceptable that the development of the European Court of Human Rights, the European body responsible for protecting human rights throughout Europe, should be at the expense of other parts of the Organisation, including the Parliamentary Assembly.

5. The Assembly would remind the Committee of Ministers of its statutory obligation (Article 38.e) to provide adequate financial resources whenever it takes political decisions which create more work for the Organisation. The Assembly wonders how the Committee of Ministers justifies its decision not to grant additional funding for the Court.

6. The fears which the Assembly expressed in previous budget opinions – 248 (2004) and 256 (2005) in particular – in which it drew the attention of the Committee of Ministers to the dangers for the Organisation of a policy emphasis on meeting the Court's financial needs by reducing appropriations to the Organisation's other sectors, have unfortunately become reality.

7. The Assembly asks the Committee of Ministers to do everything possible to avert a situation where the European Court of Human Rights uses up most of the Organisation's resources. The Assembly is convinced that the Court, as the European institution responsible for protecting human rights throughout the continent, should receive specific contributions from member states allowing it to meet its needs without any detriment to co-operation mechanisms in other Council of Europe sectors.

8. It accordingly suggests that the Committee of Ministers separate the Court budget from the rest of the ordinary budget and deal with the Court under a partial agreement, as in the case of the Commission for Democracy through Law (Venice Commission), of which all the Council of Europe countries are members, or some other appropriate method outside the ordinary budget while maintaining the Court within the Council of Europe structure. That solution could be considered in conjunction with another proposal which the Assembly made in Opinion 256 (2005) – to draw up minimum contribution scales covering at least the administrative cost of a judge.

9. The Assembly points out that section 8 of Appendix 1 to Resolution (94)31, dealing with rates of contribution to enlarged and/or partial agreement budgets, provides (last paragraph): "The States participating in an Enlarged and/or Partial Agreement may however decide to fix the minimum and maximum rates of contribution to the budget of that Enlarged and/or Partial Agreement on an *ad hoc* basis taking into account its particular circumstances".

10. That proposal in no way prejudices the findings awaited from the group of wise persons looking at the long-term effectiveness of the ECHR control mechanism, whose report is expected in the course of 2006. But separating the ordinary budget from the budget of the European Court of Human Rights would allow a dispassionate review of the situation and of the priorities assigned to other sectors and administrative bodies in the Council of Europe general secretariat.

11. The Assembly, incidentally, noted with interest the study which the Secretary General and the President of the Court commissioned from the former Lord Chief Justice of England and Wales, Lord Woolf, on administrative measures to enable the Court to cope with its steadily increasing workload. It endorses some of his recommendations, viz.:

11.1. the Court should examine only properly completed application forms;

11.2. greater use should be encouraged of national ombudsmen and other forms of alternative dispute settlement;

11.3. the Court should deliver more pilot judgments, then use simplified procedure to deal with repeat cases,

and considers that it is entitled to be actively involved in monitoring the reform of the Court.

12. In the Assembly's view the time has come for the Organisation to move from annual budgeting to a multi-year budget framework (for example, four years or the Secretary General's term of office), as it suggested in previous budget opinions (243 (2003), 248 (2004) and 256 (2005)), so as to keep the Council of Europe's medium-term development prospects in view and be able to plan and conduct multi-year projects with proper confidence. The Assembly would like to see such a reform introduced in 2007.

13. The Assembly stresses that the multi-annual framework is also a good way of safeguarding the Organisation's medium-term capital investment plans, which are needed for maintenance and security of the "Palais de l'Europe" and the European Youth Centre (which have reached the critical age of thirty) and for the administrative modernisation process, as requested in section V of the Warsaw Action Plan.

14. The Assembly was taken aback by the statement of the External Auditor, Sir John Bourn, head of the United Kingdom National Audit Office, that he was unable to give an opinion on the Council of Europe accounts because their presentation did not conform to international accounting standards as laid down by the International Auditing and Assurance Standards Boards (IAASB). It asks the Secretary General to ensure that the Council of Europe adopts the appropriate accounting standards and follows the External Auditor's recommendations as set out in his report on the annual accounts for the year ending 31 December 2004.

15. In particular, the Assembly regards the accuracy of the accounts as extremely important and therefore wholly endorses the External Auditor's recommendation concerning recognition of the Council of Europe's social liabilities – that is, publication of full information regarding future obligations in respect of retirement of its staff – so that the Committee of Ministers can identify and plan what measures to take to meet its financial obligations. The Assembly wishes to know what steps the Committee of Ministers has taken to record these liabilities in the Council of Europe's accounts and fulfil its obligations under this item.

16. Equally, the Assembly would not wish the requested changes to be used as a pretext for going back on the principle of budgetary decentralisation: it remains convinced that complying with financial and accounting rules must go hand in hand with a modern management approach in which flexibility and risk management take precedence over centralisation.

17. In the Assembly's view, a modern management approach must also build a gender perspective into the budgeting process. The Assembly calls on the Committee of Ministers to fully heed the proposals in its Recommendation 1739 (2006) on taking gender equality into account in the Council of Europe's budgets. For 2007 the Assembly undertakes to apply that gender perspective to its own expenditure.

18. The Assembly would like to see the Committee of Ministers take appropriate steps to recover unpaid sums and default interest owed by member states in respect of their contributions to the different budgets (Armenia, Bulgaria, France, Georgia, Greece, Italy, Serbia and Montenegro and "the former Yugoslav Republic of Macedonia"<sup>1</sup>). At 31 December 2005 unpaid contribution added up to the not inconsiderable amount of over two million euros.

19. In Recommendation 1728 (2005) on its own budgetary powers, the Assembly asked the Committee of Ministers to consult it "if and when a member state [had] not made its due contribution to the budget for a period in excess of six months". It likewise pointed out that Article 9 of the Statute of the Council of Europe provides: "The Committee of Ministers may suspend the right of representation on the Committee and on the Consultative Assembly of a Member which has failed to fulfil its financial obligation". The Assembly notes the Committee of Ministers' decision to set a deadline of two years for the possible application of sanctions.

20. To make up for the relatively small amounts allocated in appropriations to activities, the operational directorates have been encouraged to seek voluntary contributions for financing specific activities with very precise objectives and of limited duration. Today, if we add together all such contributions (from member states and the European Commission and its operational agencies) they come to around 27 million euros – almost 40% of the expenditure in the Council of Europe's activity programme.

---

<sup>1</sup> In the 2004 and previous financial years.

21. The Assembly asks whether it is reasonable for a large proportion of the Council of Europe's intergovernmental activities to be determined by certain governments or the European Commission, whose priorities may be different from those of the Council of Europe as a whole. That potentially jeopardises the overall coherence of the Council's action and its ability to carry out activities provided for in the Action Plan but lacking adequate funding.

22. Lastly the Assembly regards the negative-reserve rule which for some years has been applied in the ordinary budget as an accounting anomaly. The Assembly is convinced that budget estimates are made with all due conscientiousness. In the present budgetary circumstances, therefore, given the efficiency savings and other reductions which have been achieved in recent years, the Organisation must begin the gradual rundown of this negative reserve in 2007 and complete the process within two years.

23. In a context of budgetary stringency the Council of Europe must develop more systematic analysis based on the findings of the monitoring machinery, and devise and implement policies designed to supply the most appropriate solutions to problems. The Assembly is convinced that only regular evaluation of the results of monitoring will improve the quality and effectiveness of Council of Europe activity programmes and at the same time enhance their overall impact for the countries concerned.

24. This means placing greater emphasis on project management methodology and on results-based budgeting (RBB has been applied since 2004), which give a more accurate picture of the objectives assigned to the Organisation and the results achieved. On the basis of an initial report reviewing implementation of the 2005 budget by comparing the expected results with those actually achieved, combined with the evaluation report on the activity programme, the Secretary General and the Committee of Ministers should be able to draw conclusions from the analysis of actual results so as to frame a clear strategy based on the key priorities set out in particular in section V of the Action Plan ("Implementing the Action Plan: a transparent and efficient Council of Europe").

25. Among priorities set at the Third Summit, the Assembly would reiterate the importance which it attaches to the Forum for the Future of Democracy, whose launch, in Warsaw in November 2005, was a first stage, and it welcomes the first decisions taken, which match the spirit of Recommendation 1712 (2005) on follow-up to the Third Summit (in particular, setting up an Advisory Board with representatives of the Committee of Ministers, the Assembly, the Congress and INGOs with Council of Europe consultative status).

26. The Assembly welcomes the closer co-operation between the Council of Europe and the European Union, as decided at the Third Summit. It would nonetheless underline its basic position, which is that pending publication of the report on relations between the Council of Europe and the European Union which the Luxembourg Prime Minister and Finance Minister, Mr Jean-Claude Juncker, has been asked to draw up in a personal capacity, the Council should not conclude any new agreement with the European Union (the European Commission and Council of the Union), and that any such agreement must be based on the principles of equality, complementarity and subsidiarity.

27. It also very much approves of the decision taken in June 2005 to step up co-operation and co-ordination between the Council of Europe and OSCE and the setting up of the co-ordination group. It welcomes the fact that the two organisations have identified four priority co-operation fields (combating terrorism, protection of the human rights of members of national minorities, action to combat human trafficking, and promotion of tolerance and non-discrimination). It would like the executive bodies of both organisations to involve the CoE and OSCE parliamentary assemblies more in the co-operation process.

28. The Assembly reaffirms the importance of maintaining a Council of Europe presence on the ground, through the various offices and the Secretary General's special representatives, for they facilitate local implementation of programmes and work to promote democracy in their host countries. However, in a context of budget cuts and difficult choices, the Assembly wonders whether this would not be the right time to consider closing down some offices/information centres in countries where they have less impact so as to free funds for setting up offices in countries where a larger Council of Europe presence is desirable (Minsk, for example) and also to provide support to other priority actions.

29. The Assembly takes the view that the Organisation's two statutory organs (the Parliamentary Assembly and the Committee of Ministers) must treat each other as partners. It accordingly asks to be more involved in decision-making on Council of Europe priorities and budgets, as suggested in its Recommendation 1728 (2005) on PACE budgetary powers.

30. The Assembly welcomes the various Committee of Ministers resolutions adopted in 2005 amending the Staff Regulations. That is an important step in overall reform of Council of Europe human resources policy. The Assembly takes the view that the Council must have a proper human resources policy which gives appropriate prominence to staff training and mobility and to development of professional skills while respecting the principles of equality and geographical balance.

31. Regarding the salary adjustment method, the Assembly reaffirms its attachment to the existing co-ordinated system, bringing together six international organisations (the Council of Europe, the European Centre for Medium-Range Weather Forecasting, the European Space Agency, Nato, OECD and the Western European Union) and strongly encourages member states to participate fully in the work of its main organ, the Committee on Co-ordination of Remuneration (CCR), which is the appropriate forum for discussing all matters relating to pay and pensions of the 11,200 serving and 5,000 retired staff of the six co-ordinated organisations. The Assembly likewise points out the importance which it attaches to maintaining the principle of joint negotiation and equal treatment of permanent and retired staff.

32. The reform of the co-ordination system which began in 2003 should, by the end of 2006, produce a new pay adjustment method applicable as from 1 January 2007. In this connection, attention should be drawn to the Assembly's position, as explained in Recommendation 1488 (2000), which said that the new method must enable the secretaries general of the six international institutions to recruit, retain and motivate highly qualified, able and independent staff by offering remuneration which is competitive with all three recruitment markets – the private sector, national civil services and the international civil service.

**B. Explanatory Memorandum by Mr Wille, Rapporteur**

**Contents**

- I. Introduction**
- II. Audit of 2004 accounts**
- III. Budget 2005**
- IV. Prospects for 2007**

**I. Introduction**

1 The main purpose of the annual opinions on Council of Europe budgets is to improve parliamentarians' understanding of the organisation and its political evolution, to make recommendations on the Council's future direction and activities and to advise on the political implications of decisions taken by the Committee of Ministers with regard to the organisation's overall budget.

2. This report takes account of the exchange of views on 13 March 2006 between the Committee on Economic Affairs and Development, the Secretary General, the Director General of the administration and logistics and the strategic planning Director.

3. The Rapporteur wishes to thank the Secretary General for this helpful and informative exchange of views, which gave the Committee a better insight into the organisation's political priorities and financial prospects.

4. In contrast to previous years, the Rapporteur wishes to comment not only on the financial prospects for 2007 but also on the approval of the 2004 accounts by the internal and external auditors, and on the main events of 2005.

**II. Audit of 2004 accounts**

5. In April 2003, the Committee of Ministers decided to replace the existing Board of Auditors, made up of member state representatives, with an external audit service, to be provided for an initial five year period by the United Kingdom National Audit Office, starting with the audit of the financial year ended 31 December 2004.

6. The Rapporteur's attention was caught by the external auditor's conclusions. Although he approved the Council of Europe's budgetary management accounts he was unable to express an opinion on the financial statements because of the absence of an approved financial reporting framework. He therefore made a number of observations and 10 recommendations directed at fundamental improvements in financial reporting and control. The auditor's conclusions require the Committee of Ministers to take the necessary decisions.

7. At the Committee of Ministers' request, the external auditor, Sir John Bourn, amplified his views by stating that the problem concerned not budgetary management but presentation in accordance with the new international accounting standards laid down by the International Auditing and Assurance Standards Boards (IAASB), as approved by the European Union.

8. In the report, the auditor made ten important recommendations to the Council of Europe and the Secretary General, which the latter undertook to implement in 2006:

Recommendation 1: review and revise as necessary the Financial Regulations (remove inconsistencies);

Recommendations 2 and 3: establish a framework for financial reporting compatible with international accounting standards;

Recommendation 4: improve the control procedures for Council of Europe external bank accounts;

Recommendations 5 and 6: simplify the current budgetary systems and processes to limit the number of transfers and improve transparency and budgetary control;

Recommendation 7: review and clarify the policy and practice applied to temporary staff;

Recommendation 8: review implementation of the decentralised management structure and strengthen internal control;

Recommendation 9: review authorisation and access rights in connection with the organisation's financial information management system (FIMS);

Recommendation 10: review the issue of IT systems integration in relation to human resources and payroll.

9. The external auditor's recommendations are highly relevant to the Council of Europe's image and credibility. The Committee on Economic Affairs and Development might therefore wish to keep a close watch on how they are dealt with and ensure that they are properly implemented, and to return to the matter in future Assembly opinions on the Council of Europe budgets.

10. However one word of warning is called for. The follow up to these recommendations must not be a pretext for reversing the current practice of decentralised management, in which each major section of the organisation is responsible for managing its own budget, and returning to a form of centralisation that could be counterproductive and, in particular, could paralyse the Council of Europe's assistance programmes. Given the relatively small size of the Council's budget and the immense tasks to which it has to respond, the Rapporteur is convinced that the need to comply fully with existing financial and accounting rules must go hand in hand with a modern style of management that gives flexibility and risk management priority over centralisation.

### **III. Budget 2005**

11. There were many important events in 2005. Firstly, we welcome the successful outcome of the Third Summit of Heads of State and Government of the Council of Europe (even if the absence of leading figures from some of the oldest member countries is to be regretted) and the important decisions taken. These include the ambitious action plan, including the launch in November 2005 of the Council of Europe Forum on the Future of Democracy, whose first meeting that same month was concerned with giving fresh impetus to civic participation in Europe, particularly through elections and referendums; the choice of Mr Jean-Claude Juncker, Prime Minister of Luxembourg, to report in a personal capacity on ways of strengthening the Council of Europe's relations with the European Union; and the setting up of a group of wise persons to consider the long-term effectiveness of the supervisory machinery of the European Court of Human Rights.

12. The group is still preparing its conclusions but in the mean time the Secretary General and the President of the Court asked Lord Woolf, a former Lord Chief Justice of England and Wales and a member of the group, to identify administrative measures to help the Court deal with its ever-growing workload. His report makes a number of recommendations:

- the Court should only deal with properly completed application forms;
- satellite offices should be established in key countries producing high numbers of inadmissible applications;
- greater use should be made of national ombudsmen and other methods of alternative dispute resolution should be encouraged;
- the Court should deliver more pilot judgments and then deal summarily with repetitive cases.

13. The adoption and opening for signature of several important conventions is also to be welcomed:

- the Convention on the Prevention of Terrorism;
- the revised Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism;
- the Convention on Action against Trafficking in Human Beings;
- the Framework Convention on the Value of Cultural Heritage for Society.

14. Another major landmark in 2005 was the 50<sup>th</sup> anniversary of the European Cultural Convention. At the celebrations in Faro, in Portugal, to mark the event it was decided to establish a multi-institutional platform between the Council of Europe and UNESCO, as well as other international and regional partners, to promote intercultural dialogue not only between the Council of Europe member states but also with neighbouring regions on the Mediterranean southern shore and in the Middle East and central Asia.

15. Meanwhile, co-operation with the European Union has been strengthened by the adoption at the Third Summit of a road map to enhance such cooperation. However, the Rapporteur wishes to confirm the Assembly's position that, as a matter of principle, no agreement should be concluded with the European Commission until Mr Juncker has published his report.

16. The Rapporteur welcomes the decision taken in June 2005 to strengthen co-operation and co-ordination with the OSCE and to set up a co-ordination group for that purpose. The two organisations have identified four priorities for co-operation: the fight against terrorism, protection of national minorities and their rights, action against trafficking in human beings and fostering tolerance and non-discrimination. The Rapporteur considers that these questions are of major importance and concern not just to the executive bodies but also to the parliaments of the two institutions. He therefore calls for the Council of Europe and OSCE parliamentary assemblies to be more closely involved in the co-operation process, by systematically inviting to the high level "2+2/3+3" meetings the president of each organisation's parliamentary assembly (thus bringing together the two current chairs, the two secretaries general and the presidents of the two parliamentary assemblies), as decided in Bucharest in April 2001.

17. Unfortunately the Committee of Ministers failed to take account of a number of points in the Assembly opinion on the Council of Europe's 2005 budget. In particular, it continued to apply the zero growth principle. The increase in general and administrative costs means that the proportion of the budget devoted to activities is steadily declining. Continued application of this principle will eventually threaten whole areas of the Council's activities. The Committee of Ministers will then have to make certain strategic choices concerning the organisation's work programme. The Assembly wishes to draw the Committee of Ministers' attention to the fact that any partial abandonment of its activities could result in their being lost for ever. The gap left by the Council of Europe will be filled immediately by other organisations, such as the OSCE, EU or UNESCO.

18. It is also regrettable that the Committee of Ministers has been unwilling to accept the Assembly's proposals in its previous budget opinions, 243 (2003), 248 (2004) and 256 (2005), calling for the adoption of two-year or multi-annual budgets, the creation of special Council of Europe lines within national



budgets and changes to Resolution (94) 31 on the method of calculating the scales of member states' contributions to set a minimum contribution to be paid by each member state.

19. The current method is based on a formula that mainly takes account of member states' population and GDP, with a weighting of 5 for GDP and 1 for population.

20. A working group of the Ministers' Deputies was reactivated in 2005 to consider a revision of this method of calculating contributions. No agreement was reached, other than an invitation to the Committee of Ministers to consider sympathetically the possibility of fixing the minimum and maximum contributions of partial agreements in conformity with the formula set out in paragraph 8 of Appendix 1 to Resolution(94)31, the final sentence of which reads: "the States participating in an Enlarged and/or Partial Agreement may however decide to fix the minimum and maximum rates of contribution to the budget of that Enlarged and/or Partial Agreement on an *ad hoc* basis taking into account its particular circumstances".

21. To offset the relatively low level of budgetary appropriations for activities, operational directorates have been encouraged to look for voluntary contributions to finance specific activities with very clear objectives and a limited lifespan. Currently, such contributions – from member states or the European Union and its operational agencies – account for nearly fifty percent of spending on the Council of Europe's activities programme.

22. In 2005, the Council of Europe received about € 27 000 000 in voluntary contributions. Several important contracts have also been signed with the European Commission or its agencies concerning various co-operation programmes. It should be noted in this connection that in November 2006 the Secretary General of the Parliamentary Assembly signed an agreement with the European Agency for Reconstruction on a co-operation programme to offer support for parliamentary institutions in Serbia and Montenegro. The programme will last two years and has a total budget of € 1 600 000, 90% of it funded by the Agency.

23. However, it is worth asking whether it is reasonable for a large part of the Council of Europe's activities to be determined by a few governments or the European Commission, whose overall priorities may differ from those of the Council. Such a situation may well threaten the cohesion of the organisation's activities and its ability to implement certain elements of its action plan, which it might be forced to abandon through shortage of funds.

24. In connection with the new staff policy, the Committee of Ministers adopted various resolutions in 2005 amending the Staff Regulations, concerning the regulations on indemnity for loss of job, the table of posts and appointments. This represents an important stage in the general reform of the Council of Europe's human resources policy. The reform should offer the organisation a genuine human resources policy that gives full scope to training and the development of staff skills.

25. Finally, a word on the optional early retirement scheme approved by the Ministers' Deputies and financed by an internal loan. The Secretary General invited any eligible staff members to apply to benefit from the scheme. Thirty-nine staff replied to the invitation and after consulting the Joint Committee, a statutory body chaired by the Deputy Secretary General and composed of four representatives appointed by the Secretary General and four by the Staff Committee, the Secretary General decided to apply the plan to 17 staff members.

26. In connection with the activities programme, the Rapporteur also wishes to draw attention to the conference in Lisbon on combating economic crime, which was attended by representatives of the Sub-Committee on International Economic Relations. Economic crime is one of the most important issues that Council of Europe member states have to face and requires their closest attention. Finally, the Rapporteur welcomes the resumption of the activities programme in Chechnya agreed by the Council of Europe and the Russian Federation, under the direction of the secretariat and the Commissioner for Human Rights.

27. The Rapporteur also offers his warm thanks to Mr Alvaro Gil Robles, the first Council of Europe Commissioner for Human Rights, whose term of office has just ended, for his major contribution to human rights in Europe. He wishes the same success to the new Commissioner, Mr Thomas Hammarberg, who took up his official duties on 1 April 2006.

#### IV. Prospects for 2007

28. On 23 January 2006, in his communication on the state of the Council of Europe to the Assembly's first part-session, the Secretary General spoke of new clouds on the horizon with regard to the financial prospects for 2007. At his meeting with the Committee on Economic Affairs and Development on 13 March 2006, Mr Davis explained why 2007 would be a particularly difficult year, making it absolutely essential to prioritise the Council of Europe's activities.

29. This means that the project management methodology (PMM) and results based budgeting (RBB) adopted in 2004 and 2005 to give a better grasp of the organisation's objectives and the results achieved will have to be strengthened. The publication of a first progress review report on the implementation of the 2005 budget, comparing expected results with what was actually achieved, coupled with the progress review report on the activities programme, should enable the Secretary General and the Committee of Ministers to assess real progress and draw the appropriate lessons, with a view to drafting a clear strategy based on the main priorities in the Third Summit action plan.

30. Given its tight financial situation, the Council of Europe must undertake more systematic assessments based on the findings of its monitoring machinery and develop and implement policies to offer the most appropriate responses to the problems it faces. The Rapporteur is convinced that regular assessments of the results of the monitoring process will raise both the quality and the effectiveness of the Council of Europe's activities programmes, which in turn will increase their impact on the countries concerned.

31. The 2006 activities programme is based on the eight lines of action:

- Line of action 1: Compliance with human rights and rule of law
- Line of action 2: Human rights in public policy
- Line of action 3: Building a society based on the rule of law
- Line of action 4: Promoting pluralist democracy and good governance
- Line of action 5: Technological development, human dignity and democracy
- Line of action 6: Building stable and cohesive societies
- Line of action 7: Promoting European cultural identity and diversity
- Line of action 8: Europe's future through education and youth

The programme takes account of the priorities identified by the Third Summit. The draft 2007 activities programme will be redesigned to take more account of the decisions in section V of the action plan: Implementing the Action Plan – a Transparent and Efficient Council of Europe.

32. One of the priorities identified at the Summit to which the Assembly attaches great importance is the Forum on the Future of Democracy, which was launched in Warsaw in November 2005. The Rapporteur welcomes the first decisions taken, which are in line with the spirit of Assembly Recommendation 1712 (2005) on the follow-up to the 3rd Summit. These include the establishment of an Advisory Board reflecting the *Quadrilogue* approach and an administrative unit of three staff members to act as the permanent secretariat.

33. The Rapporteur also wishes to emphasise the importance of a Council of Europe presence on the ground, through its various offices and the Secretary General's special representatives, to facilitate local implementation of its programmes and help promote democracy in the host countries. However, it has to be asked whether, in a context of budget cuts and prioritisation, it is time to consider closing certain

offices and information centres in countries where they now have less impact, in order to free resources to establish or strengthen centres in countries where a greater Council of Europe presence is extremely desirable (such as Minsk) or to support other priority activities.

34. Another factor that has had a major impact on the Council's ordinary budget this year is the Committee of Ministers' decision not to make additional funding available for implementing the 2006-2008 three-year programme for the enhancement of the Court, which provides for 46 new posts with effect from 1 October and the creation of a fifth section, including the unfreezing of five posts. The financing of these decisions has had to be absorbed by the ordinary budget, through internal adjustments and additional efficiency savings. If the situation is repeated and the Committee of Ministers refuses to authorise additional appropriations for the Court in 2007, they will have to be taken once again from the ordinary budget. The Rapporteur thinks it would be unacceptable for the Committee of Ministers to adopt the same measure in 2007. Hence he endorses the Secretary General's recommendation, as set out in document AS/Inf (2006) 3 "Priorities for 2007 – budgetary implications", i.e. financing the European Court of Human Rights outside zero real growth.

35. The fears expressed by the Assembly in its previous budget opinions, in particular nos. 248 (2004) and 256 (2005), which informed the Committee of Ministers of the risks attached to financing the needs of the Court by reducing appropriations to other sectors of the organisation, have unfortunately been borne out by reality.

36. Before it becomes too late, therefore, the Council of Europe must take all possible steps to avoid a situation in which the European Court of Human Rights absorbs the major part of the organisation's resources. The Rapporteur is convinced that as the body responsible for protecting human rights throughout Europe, the Court should receive obligatory contributions to enable it to meet its needs, but without destroying the machinery of co-operation in other sectors of the Council of Europe.

37. The Rapporteur therefore thinks that the Committee of Ministers should consider removing the Court's budget from the remainder of the ordinary budget. It might, for example, be treated quite separately as part of a partial agreement, as is the case with the European Commission for Democracy through Law, the so-called Venice Commission, of which all the Council of Europe member states are members, or as a special budget outside the Ordinary Budget. This approach could be examined at the same time as another Assembly proposal put forward in its Opinion 256 (2005), which is to establish at least minimum contributions to cover the administrative cost of a judge, as authorised in paragraph 8 of Appendix 1 to Resolution(94) 31 on contributions to partial and/or enlarged agreements.

38. This proposal is not intended to prejudge the conclusions of the group of wise persons, whose report on the long-term effectiveness of the Court's supervisory machinery is expected this year. Nevertheless, separating the ordinary budget from that of the European Court of Human Rights would facilitate a dispassionate review of the current situation and of the priorities assigned to other administrative sectors and bodies of the Council of Europe secretariat.

39. The Rapporteur believes that it is now time for the organisation to change from an annual to a two year budget, which has already been proposed by the Assembly in its previous opinions and is the method used by the majority of organisations in the United Nations system, or to a multiannual budget (for example four years or for the duration of the Secretary General's term of office), which would make it much easier for the Council to take account of medium-term prospects and develop and implement projects lasting a number of years. The advantage of such an approach is that it would guarantee the payment of member state contributions for a relatively long period and avoid the acrimonious budget debates of the last few years.

40. Multiannual budgets offer valuable safeguards for medium-term investment plans. Delivery of the new European Pharmacopoeia and General Administration buildings should not be used to justify reducing funding for the maintenance and security of other existing buildings, particularly the Palais de l'Europe and the European Youth Centre, which have reached the critical age of thirty.

41. The Committee of Ministers should also be questioned about the steps it intends to take to recover the unpaid contributions and interest on arrears owed by member states in respect of their contributions to the various budgets. On 31 December 2005, unpaid contributions amounted to the by no means negligible sum of € 2 million. In this period of financial famine, payment of these sums would provide considerable relief to the organisation. The Rapporteur notes that in its Recommendation 1728 (2005), the Assembly asked to be formally consulted "when a member state has not made its due contribution to the budget for a period in excess of six months", and that according to Article 9 of the Council of Europe's Statute "the Committee of Ministers may suspend the right of representation on the Committee and on the Parliamentary Assembly of a member which has failed to fulfil its financial obligation".

42. The Rapporteur also considers that the principle of a negative reserve in the ordinary budget, as has applied for the last few years, is an accounting anomaly that should be rectified as soon as possible. Either the estimates are produced in good faith, as we are entitled to expect, or they are inflated. The Rapporteur is convinced that the proposals in the budget are a true and fair reflection of the situation. He considers that, having regard to the efficiency and other savings already made in recent years, there is no justification for maintaining this reserve, which should be progressively abandoned.

43. Finally, bearing in mind the Committee of Ministers' concern about the automatic nature of salary adjustments and the growing proportion of the ordinary budget taken up by salaries, the Rapporteur wishes to point out that the basic staff salary scales and the salary adjustment method are governed by a co-ordinated system made up of six international organisations: the Council of Europe, the European Centre for Medium Range Weather Forecasts, the European Space Agency, NATO, OECD and Western European Union. Its main body is the Co-ordinating Committee on Remuneration (CCR), which is open to all the member states of each organisation (53 countries in total), though its meetings are only attended regularly by the representatives of some dozen member countries. The CCR's main function is to submit recommendations and opinions to the councils of the co-ordinated organisations. Two other bodies take part in the CCR's activities, the Committee of Representatives of the Secretaries-General (CRSG) and the Committee of Staff Representatives (CRP).

44. What makes the CCR particularly valuable is the fact that it specialises in all the technical work associated with the salary and pension adjustments of 11 200 staff and 5 000 pensioners. It is important to ensure that the principle of equity is maintained as between permanent and retired staff. A reform of the co-ordination system has been under way since 2003. The outcome is expected in late 2006, with a view to implementing the new method as of 1 January 2007. With this in mind, reference should be made to the position of the Assembly, as already expressed in Recommendation 1488 (2000), that the new method must enable the secretaries general of these six international institutions to recruit, retain and motivate highly trained, competent and independent staff, by offering them competitive remuneration with regard to three recruitment markets, namely the private sector, national civil services and international civil servants.

45. Finally, the Rapporteur wishes to refer once more to Recommendation 1728 (2005). At a time when the Council of Europe is experiencing considerable financial upheaval, its two statutory bodies should be considered as partners and not as adversaries. The Assembly must be more closely involved in decisions on priorities and the budget, and the Committee of Ministers should acknowledge its legitimate right to a greater role in the budget making process. The Rapporteur fails to understand why the Committee of Ministers continues to afford the Council of Europe's Parliamentary Assembly less favourable treatment than that granted by the OSCE's Permanent Council to that organisation's Parliamentary Assembly. He therefore calls for a firm commitment from the Committee of Ministers to implement Recommendation 1728 (2005).

*Reporting committee:* Committee on Economic Affairs and Development

*Reference to committee:* Standing mandate

*Draft resolution adopted by the Committee on Economic Affairs and Development on 13 April 2006*

*Members of the Committee:* Mr Evgeni **Kirilov** (Chairperson), Mrs Antigoni Pericleous Papadopoulos (Vice-Chairperson), Mr Márton Braun (Vice-Chairperson), Mr Konstantinos **Vrettos** (Vice-Chairperson), MM. Ruhi **Açikgöz**, Ulrich **Adam**, Hans **Ager**, Abdülkadir Ateş, Mrs Doris **Barnett**, Mrs Veronika **Bellmann**, MM. Radu-Mircea Berceanu, Akhmed Bilalov, Vidar **Bjørnstad**, Jaime Blanco, Luc Van den Brande (Alternate: Karim Van **Overmeire**), Patrick Breen, Milos Budin, Erol Aslan **Cebeci**, Mrs Ingrida **Circene**, MM. Valeriu **Cosarciuc**, Ignacio **Cosidó**, Giovanni Crema (Alternate: Andrea **Rigoni**), Iván **Farkas**, Joan Albert **Farré Santuré**, Relu Fenechiu, Mrs Urszula **Gacek**, MM. Carles Gasóliba (Alternate: Joan **Puig Cerdón**), Francis **Grignon**, Alfred Gusenbauer, Kristinn H. Gunnarsson, Nick Harvey (Alternate: James **Clappison**), Norbert Hauptert, Anders G. **Högmark**, Ivan **Ivanov**, Ms Verica Kalanović, MM. Karen Karapetyan, Orest **Klympush**, Anatoliy **Korobeynikov**, Zoran **Krstevski**, Jean-Marie Le Guen (Alternate: Michel **Hunault**), Harald Leibrecht, Rune **Lund**, Gadzhzy Makhachev (Alternate: Ms Liudmila **Pirozhnikova**), Edward **Maniura**, David **Marshall**, Jean-Pierre Masseret (Alternate: Ms Josette **Durrieu**), Miloš **Melčák**, José Mendes Bota, Mrs Ljiljana Milićević, MM. Neven Mimica, Gebhard **Negele**, Bujar Nishani, Conny **Öhman**, Mrs Ganira Pashayeva (Alternate: Aynur **Guliyeva**), MM. Jakob **Presečnik**, Jeffrey Pullicino Orlando, Luigi Ramponi, Maurizio Rattini, Maximilian **Reimann**, Dario Rivolta, Mrs Maria de Belém Roseira (Alternate: Mr Maximiano **Martins**), MM. Volodymyr **Rybak**, Kimmo **Sasi**, Bernard **Schreiner**, Samad Seyidov, Panagiotis Skandalakis (Alternate: Ioannis **Dragassakis**), Leonid Slutsky, Ms Geraldine Smith (Alternate: Baroness Gloria **Hooper**), Mr Christophe Spiliotis-Saquet, Mrs Aldona **Staponkienė**, MM. Frans Timmermans, Dragan Todorović, Mrs Ágnes Vadai, Mrs Jelleke **Veenendaal**, MM. Oldřich Vojtíš, Varujan Vosganian, Robert **Walter**, Paul **Wille**, Tadeusz **Wita**, Mrs Rosmarie **Zapfl-Helbling**, Mr Kostyantyn Zhevago.

N.B: The names of the members who took part in the meeting are printed in **bold**

*Head of Secretariat:* Mr Newman

*Secretaries to the committee:* Ms Ramanauskaite and Mr de Buyer

