


# Procedure file

Basic information	
COS - Procedure on a strategy paper (historic) <a href="#">1996/2108(COS)</a>	Procedure completed
MED programmes. Special report 1/96 Court of Auditors	
Subject 6.40.05 Relations with the Mediterranean and southern European countries 8.70.03.07 Previous discharges	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>CONT</b> Budgetary Control		25/09/1996
		PPE <a href="#">FABRA VALLÉS Juan Manuel</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>AFET</b> Foreign Affairs, Security and Defense Policy		
	<b>RELA</b> External Economic Relations		31/10/1996
	UPE <a href="#">MALERBA Franco E.</a>		
	<b>REGI</b> Regional Policy		29/10/1996
		UPE <a href="#">AZZOLINI Claudio</a>	
Council of the European Union			

Key events			
30/05/1996	Non-legislative basic document published	RCC0001/1996	Summary
21/10/1996	Committee referral announced in Parliament		
02/07/1997	Vote in committee		Summary
02/07/1997	Committee report tabled for plenary	<a href="#">A4-0236/1997</a>	
17/07/1997	Debate in Parliament		Summary
17/07/1997	Decision by Parliament	T4-0410/1997	Summary
17/07/1997	End of procedure in Parliament		
22/09/1997	Final act published in Official Journal		

Technical information	
Procedure reference	1996/2108(COS)

Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed
Committee dossier	CONT/4/07991

### Documentation gateway

Non-legislative basic document		RCC0001/1996	30/05/1996	CofA	Summary
Committee report tabled for plenary, single reading		<a href="#">A4-0236/1997</a> <a href="#">OJ C 286 22.09.1997, p. 0007</a>	02/07/1997	EP	
Text adopted by Parliament, single reading		T4-0410/1997 <a href="#">OJ C 286 22.09.1997, p. 0187-0263</a>	17/07/1997	EP	Summary

## MED programmes. Special report 1/96 Court of Auditors

**OBJECTIVE:** this special report submitted by the Court of Auditors relates to the management of the MED programmes (in particular, MED-Urbs, MED-Campus, MED-Media, MED-Avicenne et MED-Invest) from 1992 to 1994. An audit of these programmes has revealed serious irregularities both in the financial management of the projects and in their implementation. At the same time, the Court has made a series of recommendations to the Commission so that improvements might be provided for in the future in the management of the resources allocated. **CONTENT:** the main complaints made by the Court with regard to this issue relate, on the one hand, to the overall system for managing the programmes and, in particular, to the delegation of some of its powers to third parties and, on the other hand, to the implementation of the projects themselves. - As regards the overall system for managing the programmes, the Court notes that the Commission subcontracted the administration and financial management to the Trans-Mediterranean Networks Agency (ARTM), a non-profit-making organization established specifically for the purpose, with technical monitoring contracted out to consulting firms. The Court feels that the manner in which the system operated gave rise to serious irregularities because: . the powers conferred upon ARTM were equivalent to a delegation of the powers of the Commission which was not authorized in this instance; . excessive recourse was made to private contracts; . the involvement of consulting firms in the design and preparation of projects created serious confusion of interest in the management of their funds; . the resources and procedures for monitoring the implementation of the programmes were inadequate; . the financial management of the programmes at the level of both the Commission and the ARTM was inadequate. - As regards the implementation of the projects themselves, the Court took the view that irregularities abounded: . concerning financial and accounting matters: the contracts concluded with ARTM did not respect the basic requirements of sound financial management (e.g. slipshod accounting etc.), the network partners did not fulfil their obligations as regards co-financing and ineligible expenditure was financed (in some cases, systematically, e.g. personnel costs); . concerning matters relating to sound financial management: the award of contracts following competitive tendering was the exception rather than the rule etc.; . concerning the impact of the projects, the Court took the view that not enough assessments were carried out before and after the completion of the measures and that, overall, the direct impact of the MED programmes still remains to be proven. Finally, certain weaknesses were observed in the implementation of the projects from the time of their original design (e.g. lack of authority of the network coordinators, limited autonomy of the members of the networks) as well as weaknesses in the management instruments (e.g. limited role of Technical Assistance Offices). **RECOMMENDATIONS:** in the view of the Court, the Commission should in future: - review the design, management and implementation of these programmes. The Court takes the view that no new programme should be implemented before adequate resources have been made available and the structures properly evaluated; - ensure that external organizations called upon to assist it should not have delegated to them functions and responsibilities which it should exercise itself: in particular, it must remain responsible for the execution of the programmes and the budgetary resources devoted to them; - considerably strengthen the concept and status of the networks and define the obligations of each member in a contract, compliance therewith being a basic condition for the granting of funds; - provide for annual audits so that the accounts of all the organizations involved may be monitored; - ensure that the networks are viable in the long term. In particular, it must decide clearly whether or not to maintain the principle of cofinancing; - provide for adequate human resources to cope with its obligations without systematically entrusting to third parties tasks for which it is responsible. The Court drew the specific attention of the budgetary authority to this last point, in the context of the considerable increase in the funds allocated to the Mediterranean countries under the MED programmes.?

## MED programmes. Special report 1/96 Court of Auditors

The report by Mr Juan Manuel FABRA VALLES (PPE, E) was adopted. In the resolution based on the Court of Auditors' Special Report 1/96, the committee recalled that the decentralized Mediterranean programmes (MED) launched in 1992 had received funds of ECU 78 million up to the end of 1995. The European Commission had retained the Trans-Mediterranean Networks Agency (ARTM), an international firm under Belgian law, and had delegated extensive powers to it. Given the irregularities in connection with the management of these programmes noted by the Court of Auditors, the European Commission had decided to suspend them. The report noted that, although the Commission had gone to considerable lengths to take account of the Court of Auditors' special report, the necessary coherence and coordination were lacking and it called on the European Commission to forward all the details of the case to the legal authorities in the Member States in question so that they could consider any legal implications. The Commission was also called upon to bring any disciplinary action against the Community officials responsible which might prove necessary in the light of the administrative inquiry initiated and to inform the European Parliament immediately of the measures adopted. The report called for the anti-fraud unit (UCLAF) to become independent pending the establishment of a European

court to try fraud and corruption cases involving the Community budget. The committee approved the resumption of 75 projects under the MED programmes subject to certain conditions (relating mainly to the revision of the management system). The others were to remain blocked pending completion of the procedure to verify the contracts. The rapporteur, Mr FABRA VALLES, considered that the approach was the right one: "All the warning indicators of malfunctions in the system worked: the Court of Auditors, the European Parliament, the UCLAF and the Commission. However, one of these indicators might work better if it was positioned differently on the dashboard, i.e. if the UCLAF were independent".?

## MED programmes. Special report 1/96 Court of Auditors

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In adopting the report by Mr Juan Manuel FABRA VALLES (PPE, E) on Court of Auditors Special report No 1/96 on the MED programmes, the European Parliament observed that, although the Commission and its services had gone to considerable lengths to follow the Court of Auditor's special report through to its logical conclusions (reorganization of Directorate-General IB, revision of management methods, approval of four contract models, etc.), there had been a lack of coherence and coordination in decisive areas. Parliament drew attention to regulatory and organizational shortcomings on the part of the Commission, and called on it to forward to the Member States concerned all the details of the case for consideration of any possible legal implications. The Commission was also called upon to bring any disciplinary action against the Community officials responsible which might prove necessary in the light of the administrative inquiry which had been initiated, and asked the Commission to inform it immediately of the measures adopted. Parliament deplored the fact that when the Commission had decided to halt the current decentralized cooperation programmes, it did not immediately investigate all the contracts concluded by the companies concerned. It called on the Commission, accordingly, to instruct its Financial Control to re-examine systematically all contracts concluded directly or indirectly with the technical assistance bureaux involved with the decentralized Mediterranean programmes. It called on the Commission to draw up a proposal with a view to extending to this sector the regulation establishing a black list of persons and firms to be ineligible for Community funding. It also called for standardization of the rules governing Commission contracts with external consultants and for clauses prohibiting situations characterized by a conflict of interests and interference, and administrative penalties. Parliament called for the anti-fraud unit (UCLAF) to become independent, pending the establishment of a European court to try fraud and corruption cases involving the Community budget. It would liaise with national courts and inform them of the facts concerning offences discovered in the course of its inquiries. In parallel, and subject to certain conditions, particularly regarding revision of the management system, Parliament approved resumption of 75 projects under the MED programmes. The others were to remain blocked until the contract verification procedure had been completed. Before any extension of the contracts for longer than two years, an interim report must be submitted to Parliament. Lastly, Parliament called on the Commission: - to consider, within the framework of the SEM 2000 programme, measures designed to avoid any conflict of interests between the external consultancies and applicants for funding, and to prevent those consultancies from having any influence on the selection of contractors, - to submit those measures to it within six months in a report including a list of the external consultancies currently working on contract for the Commission. Finally, it pointed out to the Commission that it would be looking at the matter again in the context of the discharge procedure.?

## MED programmes. Special report 1/96 Court of Auditors

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Presenting his report on the management of MED programmes from 1992 to 1994, Mr Manuel FABRA VALLES (EPP, ES) did not question the principle of decentralised cooperation or the Commission itself politically speaking. However, he was very critical about the management of these programmes. He called for the judicial authorities in the Member States to be informed about certain facts highlighted by the Court of Auditors in its special report and for certain Commission officials to be questioned. He also denounced the Commission's slow political reaction. Although he absolved the Commission of directly participating in the maladministration, the rapporteur did attribute it with political responsibility. He was particularly astonished that the national judicial authorities had not looked into this matter themselves on the publication in the Official Journal of the Court of Auditors' report and even more so that the delegation of powers to ARTM, an association under Belgian law entrusted with managing the MED programmes, had occurred quite openly, without any official finding any reason to object to this for over three years. Moreover, it was seemingly ?Commission officials? who had contributed to the creation and operation of a system which had impeded the proper administration of Community funds, particularly by allowing the ARTM administrators to have access to completely confidential internal information. The rapporteur underlined, however, that the Commission had taken the right decision in suspending the application of programmes and in demanding the resignation of the ARTM administrators and the repayment of ECU 2.16 million from certain technical assistance bureaux involved. According to the rapporteur, the Commission was, however, still guilty, at least politically, of having delegated extensive powers to an external agency which it had ?helped to create?, without any clear legal basis, even though the Consultative Committee on Purchases and Contracts of the European Commission had already given a ?warning? about the development of this agency. The rapporteur also highlighted that ARTM was external only in appearance as it had been created on the Commission's initiative with money from the Commission itself. In addition, the latter had seconded some of its DG IB officials who had retained supreme control over all financing dossiers. It could not therefore have been in any way unaware of the contract award conditions. Although it was true that no disciplinary measures had yet been taken by the Commission against the officials involved, the rapporteur was pleased that an administrative inquiry had recently been initiated by the Commission, on the initiative of Mr Manuel MARÍN. During the debate, the Vice-President of the Commission, Mr MARÍN, was keen to respond to the complaints of Members. He firstly wanted to dispel all the concerns about the management of the MEDA programme which was a new form of decentralised cooperation set up following the Barcelona Conference. He then indicated that 80% of what Parliament was calling for in its resolution had already been done. The Commission had taken ?very harsh? measures and the innocent had ended up suffering because of the wrongdoers. He was also concerned that no Members had come to the defence of the ?NGOs, institutions and technical assistance bureaux which acted honestly?. Citing all the steps which had already been taken (even before the publication of the Court of Auditors' report) by the Commission to stop the fraudulent projects and recover the money lost, Mr MARÍN indicated that criminal proceedings had been started (against ISMERI in particular) through a national criminal prosecution (Italy). Finally, he indicated that measures had been adopted to ensure that this type of problem could never occur again (particularly in the MEDA context). An early warning system had therefore been set up allowing any programme which was suspected of irregularities to be suspended. Speaking again, Mr FABRA VALLES indicated that this case was a classic ?example? and that Parliament had primarily given a political opinion. To deal with similar cases in the future, early warning or diagnostic systems should be established. The rapporteur then highlighted the urgent need to have a truly independent anti-fraud unit. Other Members also insisted that the MED programmes blocked by the Commission since this affair should be restarted.

