

## **EU – Budget Still a Big Deal for Fraudsters...**

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'Zero tolerance for fraud...' – that was the dictum of EU commissioner Neil Kinnock on 18 January 2000. In the meantime the registered cases of fraud and suspicion have doubled.

Therefore my first thesis: as far as news coverage is concerned 'EU subsidy fraud' pays off... A few difficulties remain: the protagonists do not always come from Germany, and the terms are often intricate – take, for instance, the anti-fraud authorities themselves, the so-called OLAF – this abbreviation standing for French 'Office de la Lutte Anti-Fraude'.

A few examples: in the Slovak Republic an EU official secretly places orders involving millions. This time it was the spouse who let the cat out of the bag. In this context the fact that over six years four officials manage a cash flow of EUR 370 is striking, especially as the question of who supervises their work remains open?

Or: The skirmish about the commissioning procedures by EU institutions to private security services is still high on the agenda. This is a multi-million business. In the context of the latest tender for the surveillance of the new parliament building in Strasbourg applicants were provided, first, with incomplete, and afterwards with wrong basis information. Thus none of them was able to hand in a fitting offer.

The distinguished European Investment Bank (EIB) was not spared by corruption either: an EIB official responsible for the purchase of merchandise at EIB had his car brought up to scratch at the expense of EIB distributors.

Humanitarian help – in this context the biggest money provider is the EU commission. The Court of Auditors found out that the EU commission worked together exclusively with one, not especially cheap airline.

The new building of the European Parliament in Brussels: normally a tender would have been necessary for the financing of the credit. The 'problem' was solved by commissioning a private construction company to do the building, which in turn then simply gave acceptance to the Westdeutsche Landesbank.

There are many more individual cases that could be added. Every spring there is a political peak when the European Parliament votes with regard to the exculpation of the European Commission. The tantalising question then is if the fraud cases can be tolerated or if they exceed a reasonable measure.

Second thesis: the EU is a paradise for corruption, fraud and nepotism. Do you want to hear more examples? We can remind us of Edith Cresson and Paul van Buitenen, Martin Bangemann and the Spanish Telefónica Company or of our acquaintance with Monika Wulf-Matthies who suddenly brought about a lucrative EU consultancy contract.

But apart from these small, perhaps not entirely appropriate favours we have to be aware that subsidy and fraud are interlinked, as Professor Bernhard Friedmann once explained while being a member of the European Court of Auditors. That is why he had proposed to reorganise the EU budget by replacing the system of subsidies with a credit system.

Third thesis: in the EU the health insurance principle is applied: all pay into one insurance company – everybody tries to get out of it as much as possible – at the expense of the other payers.

### **Cold shower**

In the context of the discussion about corruption authorities often call for the introduction of black lists. This proposal is not unperilous. There was this story about 626 clean members of parliament who should also take a shower in their 626 offices in Brussels. Costs for each of these Belgian showers: EUR 10'000. And in Strasbourg one also wants to do clean parliamentary work.

Therefore, also there, for these new offices the tiler and plumber trade was nurtured. The result: as soon as this story had been published the parliament compiled a 'black list': not the construction companies but my name appeared far on top of this list.

## **Mixing with OLAF**

While doing research on corruption OLAF, the anti-fraud authorities of the EU commission in Brussels, is not an easy address. Their statistics of investigation depend on how good the national investigators are on site. OLAF collects the cases throughout the EU. National investigators think of OLAF as an unnecessary goitre. OLAF has no actual investigators. Thereto the corresponding power of criminal investigation is lacking. Officials of OLAF try to investigate and would like to be there when national inquiry agents become active. Nevertheless it has to be emphasised: without any European investigation officials the first results of the inquiry, which took place following the resignation of the EU commission in 1998, would not have been discovered, or only with even bigger delay. And it would be nice if one day OLAF were to become a European liaison office at which investigated cases could get officially confirmed for journalists. So far I have gained opposite experience: OLAF has withheld, concealed and denied. The best investigation reports are those which OLAF does not publish: OLAF continues the tradition of secrecy, concealment and denial practised by the former investigators of UCLAF (Unité de Coordination de la Lutte Anti-Fraude).

The report by the forerunner organisation UCLAF about corrupt commission officials who lined their own or other pockets with EU tax money which was officially assigned to humanitarian help had been forgotten in the drawer of the inquiry agents for months. After the first media reports the EU commission published a report which roughly ran as follows: 'Mr \*\*\* has negotiated with \*\*\* about \*\*\*.' Thereupon I had the original report copied on a neutral sheet of paper. Since all hints allowing the identification of authors and informants had to be eliminated (hints with regard to fax, PC, copier etc.). Then I could publish this 'primed' original text as facsimile. Officially there was never a statement by UCLAF thereunto. By the way, becoming attentive to the practices by the EU commission colleagues have increasingly investigated and reported about corruption and fraud within the EU commission. Since at first one particular magazine did not dare to send a ready and polished report – it was pointed out that no EU official had been on remand yet – the colleagues of the print media had to get things started. Thus the issue was first covered in *Focus*, followed by *dpa* and finally the daily news got on board.

Political reactions? The official criticism concerning the investigators was rather restrained; nobody wanted/wants to ruin the soft plantlet. Nevertheless: the fight against fraud by the EU has not improved. After being questioned repeatedly this was confirmed by the President of the Court of Auditors, Jan Karlsson from Sweden, in a press conference in Strasbourg in December 2001. He did not want to answer the first, simply phrased question which was 'if something had improved since the resignation of the EU commission'. Instead he tried to back out with phrases like 'I am optimistic that things will improve in the future...' etc. followed by the answer: 'Yes – nothing has improved.'

## **Secretiveness**

As far as OLAF is concerned directly, things can actually only get better. Nevertheless investigation results again are kept secret. An example: in 1999 OLAF was informed by national investigators about the – as far as I know – so far biggest food fraud in the history of the EU. Butter is concerned, more precisely so-called industrial butter as it is used for pastries and ice cream production. According to the Italian Public Prosecution Service the Italian and French mafia had adulterated the annual consumption of 80 million people. Knacker's yards delivered cheap suet of perished and diseased animals that was worked up with other chemical additives to result in a butter-like greasy mass. In this context the butter mafia 'skimmed' EU money in several ways: the production of industrial butter (reducing the butter heaps) as well as the export (although it just takes place on paper) are subsidised by the EU. According to Schreyer – admitted only much later – this results in a damaging loss of millions.

At first the commissioner in charge was not even informed at all. It was referred to the data protection. One did not want to put jobs at risk. Does that mean by any chance that mafia businesses can also rely on data security?

In the butter stodge there was at least 30 per cent of butter. The rest of these not only unsavoury but also harmful additives were commented about by OLAF very differently: it just repudiated – being sorrowfully fixed on Christmas stollen and gingerbread with regard to the upcoming Christmas sales. We can take something for granted: Almost all EU countries were supplied. Furthermore the adulteration was exported in order to get export refunds from the EU.

One of the butter adulterators told me that the whole night long adulteration was carried out, then in the morning lorries departed to a destination called 'Bayernland'. 'Bayernland' meaning Bavaria or perhaps a company going by that name? Jackpot: 'Bayernland' in Nürnberg admitted to have been customer of the Italian butter mafia. They claim to have been tricked apparently. By the way, proofs for the fraud have been undone due to sloppy investigations. A Belgian beneficiary company also had, 'of course', no idea about this butter mess. Though this company had asked the Italian mafia for a discount for the suet mix: since this delivery contained an actual butter concentration of merely one per cent.

On my request OLAF refused to give any information because of an 'ongoing procedure' and on the grounds that the mafia company had a right of data security. OLAF has only published press releases – each time briefly before my reports appeared in print. Attitude: small fish, no panic, everything under control, no health risks. Then later: 'Everything has been confiscated'. And: 'The laboratory results have been inconclusive'. Though, so far these lab results have been kept secret. The German consumer protection minister, Renate Künast, refers to Brussels, and Brussels refers to the national authorities, and thus everything comes full circle.

## **Problems of competence**

Moreover there is another fundamental problem (to be considered): OLAF is incompetent when it comes to statements about health risks, since it is only responsible for economic crimes. Furthermore most of the butter has been sold and eaten. The investigators could not confiscate more than a few reminders of stock.

So far the following information has leaked: meanwhile, in the all-clear press release, chief executive officer of OLAF, Franz-Hermann Brüner, made the following excuses: 'the actual situation is complex' and 'translation errors' have occurred. Minister Künast has been stirred in the meantime. She would like to cut the subsidy and to prevent such a case to happen again: since until this day no reliable lab tests exist to ensure the immediate discovery of any adulterations of butter. Probably this might be still a current business idea...

## **Questioning and forgetting**

I have drawn the following conclusions from the different EU subsidy scandals: to question, to question and even if these are the most uncommon journalistic questions – thereby the likelihood of uncommon answers increases. I try to memorise as many details as possible – details can be very precious for the subsequent story. At the same time I must be very forgetful – regardless of how official or unofficial the sources are: preferably never give away names, connections and contexts. Nevertheless I am sometimes very open-hearted by showing my interlocutor that I have contacts to all parties involved, and thus he/she can tell me everything straight away...

Good research often results in good friendships. Good work is rewarded with further information by your informants. Good work also entails enemies. But: Only if you have the courage to discover inconvenient truths, you are continuously supplied with new stories. Often the collaboration with colleagues pays off. Thus half-cooked stories can be avoided better.

## Important sources

There may be a lot of them and one should consult them or be 'on one's beat' several times. Consequently, first of all, I investigate a story in a 'noncircular' manner: as soon as all official sources have been exploited and unofficial information has been gathered, I then simply have to work the circuit and exploit everyone again in order to unwind inconsistencies and to tease out new further information. I try to build on each ever so small new jigsaw piece with new information that I may obtain. Each conversation, each phone call is checked for details ever so small. In my opinion there is no such thing as a model for corruption investigation. Perhaps it can be said: good craftsmanship for the compulsory programme and a portion of luck for the freestyle event are necessary ingredients.

Fighting against corruption should become everyday business. An *acknowledged* case does not necessarily mean the end of an institution. Fraudsters must not still be thanked for their scheming. For instance, there is this story about an EU official: In a letter available to the Europe Journal the nomination of Luc Demarty is mentioned as negative example by members of the 'SOS Democracy' Intergroup of the EP. He is said to have been responsible for agricultural questions in the cabinet of the former president of the EU commission, Jacques Delors, at the time when the case Flécharde (racket with Irish butter) was burked. He is said to be the author of minutes concerning this affair which have vanished under mysterious circumstances. In addition, Demarty is said to have been involved in the initial proceedings by the EU commission to cover up the BSE plague. In the cabinet of commissioner Edith Cresson, who had to resign because of scandals, Demarty was responsible for administrative concerns at the time when the counselling contract with Cresson's friend, René Berthelot, was closed. Demarty was appointed assistant general manager – this being the criticism by the decent officials of the EP Intergroup 'SOS Democracy'.

The question of when, at last, these decent EU officials are going to be rewarded for their behaviour remains to be answered.

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