

Abstract

Execution of economic compensations associated with the purchase of specific military equipment

The Court performed an audit at the Government department responsible for economy, small and medium companies, self-employed and energy in relation to the execution of economic compensations associated with the purchase of military material. It found that the administration of files and the control of the execution of the economic compensations had shown signs of improvement over the years. However, it noted a number of shortcomings.

Economic compensations can be defined as the contractual obligation imposed to a supplier of military material to place orders for material or services with Belgian enterprises worth a specific amount. Since the early eighties, common practice has been to insert economic clauses in the major military programme contracts.

The Court examined whether the obligations arising from these compensation agreements were enforced in accordance with the regulatory and contractual provisions; it also checked whether relevant control had been put in place in an effective way. The audit did not focus either on the procedure for the award of specific military contracts or on the policy relating to economic compensations.

The audit revealed that on the whole file administration and the control of the execution of economic compensations had improved since the new regulation took effect in 1997. Previously, file administration was complicated by a lack of clear regulation and, above all, a lack of contracts in due and proper form (those contracts often did not include penalty clauses). Current contracts were drawn up in a more complete and standardized way and each compensation operation is now subject to an inspection report.

Nevertheless, shortcomings were again noted in more recent files. Sometimes, orders placed were accepted as being compensation operations whereas all contractual requirements had not been analysed in the inspection reports (such as the cause and effect link between the economic obligation and the order placed, the highly technological nature of the order and the creation of a volume of new business to Belgian industry. These shortcomings are inter alia due to the fact that the inspection services were not provided concrete directives for control and working methods. Similarly, penalties imposed in case obligations were not abided by were not always implemented as provided in the contract.

Other items for improvement related to contract drawing up, calculation of Belgium's share in the compensation operation, control of payments, the grounds for accepting or rejecting an order as being a compensation, the delegation of powers to take decisions granted to the director general, the modalities for the release of the bank guarantee (on economic compensations) and the collaboration between the relevant services.

The minister for Economy agreed the Court's recommendations following the audit performance and stated that he would see to it that they would be implemented as soon as practicable.