

HEADING 1A: Competitiveness for growth and jobs**Programme to promote activities in the field of the protection of the financial interests of the European Union (Hercule III)**

Lead DG: OLAF

I. Overview***What the programme is about?***

- Hercule III is the latest EU anti-fraud programme, following Hercule II (2007-2013). It helps EU countries fight fraud, corruption and other illegal activities.
- The programme protects the EU's financial interests by supporting actions to combat irregularities, fraud and corruption affecting the EU budget. This includes combating tobacco smuggling, which remains a major concern, accounting for estimated annual losses of at least EUR 10bn to national and EU budgets. Helping to fund x-ray scanners and other technical equipment in harbours and airports, for example, aims to boost national authorities' capacity to fight smuggling. Hercule III also finances training activities. It helps national authorities share best practices through seminars and conferences on issues such as preventing corruption in procurement procedures. Another facet is training to boost and update the digital forensic and analyst skills of law enforcement staff.
- The Programme contributes to:
 - developing the activities at Union level and the Member States' level to counter fraud, corruption and any other illegal activities affecting the financial interests of the Union, including the fight against cigarette smuggling and counterfeiting;
 - an increased transnational cooperation and coordination at Union level, between Member States' authorities, the Commission and the European Anti-Fraud Office (OLAF), and in particular to the effectiveness and efficiency of the cross-border operations;
 - an effective prevention of fraud, corruption and any other illegal activities affecting the financial interests of the Union, by offering joint specialised training for staff of national and regional administrations, and to other stakeholders.

EU added value of the programme

The Programme significantly contributes to the development of activities at Union level to counter fraud, corruption and any other illegal activities, to the creation of an increased transnational cooperation and coordination between Member States' authorities, the Commission and the European Anti-Fraud Office (OLAF) and to the establishment of an effective prevention system against fraud, corruption and any other illegal activities affecting the financial interests of the Union.

The programme creates in particular savings deriving from the collective procurement of specialised equipment and databases to be used by the stakeholders as well as deriving from the specialised training.

Implementation mode

The Programme is managed by the Commission's European Anti-Fraud Office (OLAF) and is implemented by means of:

1. Grants, following calls for proposals;
2. Public procurement contracts following calls for tender;
3. Administrative arrangements.

The Hercule III Regulation provides for three types of action: Technical Assistance (at least 70 % of the budget), Training (max: 25 % of the budget) and Other Actions (max: 5 % of the budget).

II. Programme Implementation Update***Implementation Status (2017-2019)***

The Hercule III Programme is implemented on the basis of annual work programmes, through calls for proposals and public procurement.

Between 2017 and 2019, the Commission awarded more than 100 grants to national and regional authorities as well as research institutes and NGO's for the purchase of technical equipment or for the organisation of training events, conferences and seminars.

In addition, the Commission concluded contracts for the purchase of goods and services, such as access to commercial databases, development of IT tools or the organisation of trainings and conferences.

The 2019 Work Programme was implemented as foreseen, without any significant delays or problems encountered. The applications received following the Calls for proposals received requested financial support for a total amount exceeding threefold

the available budget. Grants were awarded for the purchase of investigation equipment (including forensic tools), detection equipment (such as x-ray scanners), as well as for financing conferences, trainings and studies targeting the improved protection of the Union's financial interests. The Programme provided funds for access – through procurement – to commercial databases and development of specific IT tools for data analysis, for support to law enforcement authorities in the Member States. .

Key achievements

Several key achievements following the Programme implementation can be highlighted:

Improved operational efficiency and effectiveness reported by the beneficiaries of technical assistance grants:

- Technical Assistance beneficiaries are requested to submit a final implementation report one year after the closing date of the grant. This report contains information on the results achieved by using the equipment as well as the organisation's assessment of the contributions made towards the achievement of the Programme's objectives. The results reported suggest that the purchased technical equipment, such as detection tools, helped the grant beneficiaries to seize substantial amounts of smuggled cigarettes, counterfeit goods and tobacco. In addition, the national authorities reported that investigation support equipment, such as cameras, IT-tools and forensic soft- and hardware, facilitated the lawful gathering of evidence during operations in support of investigations aimed at protecting the Union's revenues, expenditures and assets. For example, the specialised technical hardware purchased by the Spanish Guardia Civil has improved the skills and technical capacity of its investigators, while enhancing the quality and results of investigations. The damage to EU budget avoided during 2017 has been estimated to be EUR 103 million, resulting in the arrest or the investigation of more than 200 people. The Department of Criminal Investigation of the Prosecutor General's Office of Portugal set up, with financial support from the Programme, a digital forensics lab equipped with state of the art hardware and software, facilitating the handling of digital evidence. The equipment purchased allows for the extraction, analysis, exportation and storage of mass data in a systematic, fast and secure way, substantially reducing the length of investigations. The beneficiary reported that, during 2018, the lab has been used in various investigations into smuggling and counterfeit cigarettes as well as in support of eleven criminal inquiries for fraud related to the financial interests of the Union.

Increased cross-border cooperation and exchange of information:

- The beneficiaries reported that the Programme enabled long-lasting cooperation across borders. The training activities and staff exchanges contributed to the creation of networks and exchange of best practices. For example, between 2017 and 2018, the Latvian Ministry of Finance implemented a project aimed at strengthening the capacity of the anti-fraud coordination service network (AFCOS) members to set up and identify strategic tools for the fight against fraud and corruption affecting the Union's financial interests. The event gathered more than 200 participants from five Member States as well as representatives of the relevant European Institutions and led to sharing of best practices, improved cooperation and strengthening the AFCOS network. The Anticorruption General Directorate of Romania organised a series of law-enforcement staff exchanges and workshops involving around 100 officials from Romania and three neighbouring countries (Bulgaria, Hungary and Ukraine). The project led to sharing best practices in preventing and combating fraud and illegal activities in South Eastern Europe, enhanced cooperation between anti-corruption agencies and training law-enforcement officers at using new methods of risk assessment applicable to investigation of crimes affecting the Union's financial interests.

Efficient use of resources generating cost savings and economies of scale:

- The programme provides funds for the procurement of subscriptions to commercial databases, on behalf of law enforcement authorities in Member States, to support operations and investigations. The Commission manages this access, enabling substantial economies of scale. Training is also ensured for an optimal usage by the relevant staff. During 2017-2019, the Programme has ensured Member States with access to commercial databases, such as worldwide trade statistics, company information and vessel movements. The databases were highly used by customs authorities in supporting both investigations and risk analysis activities, identifying potentially suspicious trade, etc. In 2018, the searches carried out in the company information database led to the detection of a network of companies that circumvented anti-dumping duties. The companies engaged in practices of transshipment of products via third countries to the EU by undercutting the prices of the imports through kick-back payments. The fraud scheme involved a network of companies in the Member State and third countries. The duty losses identified were of a significant amount.
- Specific IT and operational tools have been developed in collaboration with the Joint Research Centre, widely used by the Member States' authorities, such as: Automated Monitoring Tool – used for risk analysis by customs authorities, a tobacco analysis laboratory and a data analysis project facilitating transnational cooperation and the sharing of best practices. During 2019, based on feedback and interest from Member States concerning the data analysis tool, five pilot projects related to priority fraud issues were launched, two study visits were organised in Member States and a workshop was held with Member States experts.

High level of participants' and beneficiaries' satisfaction related to the projects co-financed by the Programme:

- The mandatory surveys filled in by the participants to conferences, trainings or seminars in order to assess the relevance of the project and to measure their satisfaction levels reveal that a very large majority of users (more than 95 %) express a satisfactory or very satisfactory opinion on the event. The results of the surveys are reflected in the project's final report and

show that the networking opportunities are particularly highly valued and that the participants perceive that the training event increased their skills.

- The beneficiaries of technical assistance grants must indicate, as part of their final reporting, their assessment of the added-value of the purchased equipment and related training. The feedback received for implemented projects is very positive – for example, the beneficiaries of grants finalised during 2019 evaluated that the equipment responds to the organisation’s operational and professional needs with a rate of 4.8 on 5.

Evaluations/Studies conducted

The key findings of the latest evaluation ⁽¹⁾ have been presented in the Programme Statements 2020.

The Commission will present to the European Parliament and to the Council, by 31 December 2021, a report on the programme’s final evaluation.

Forthcoming implementation

The Commission adopted the Programme’s last Financing Decision and Annual Work programme on 16 January 2020. The Programme will continue to be implemented through grants, procurement contracts and administrative arrangements.

The Commission will launch three calls for proposals providing technical support to national and regional authorities tasked with the protection of the Union’s financial interests as well as support for the organisation of training and conferences by research and educational institutes and NGO’s.

In addition, the Programme will finance the access to databases for Member States’ law customs and police forces as well as the development of IT-tools for risk assessment analyses. A digital forensic and analyst training will be also organised for law enforcement agencies, aiming at improved detection skills to extract, process and use data from digital devices.

Outlook for the 2021-2027 period

The successor of the Hercule III programme is encompassed within the new Anti-Fraud Programme ⁽²⁾ (PAF). The new programme is designed to support and complement Member States in preventing and fighting fraud affecting the financial interests of the EU, and supporting mutual assistance in customs and agricultural matters. It will contribute to the achievement of the political objective to support Member States in countering fraud and other illegal activities, ensuring that no taxpayer’s money is diverted from its intended goal.

III. Programme key facts and performance framework

1. Financial programming

Legal Basis	Period of application	Reference Amount (EUR million)
Regulation (EU) No 250/2014 of the European Parliament and of the Council of 26 February 2014 establishing a programme to promote activities in the field of the protection of the financial interests of the European Union (Hercule III programme) and repealing Decision No 804/2004/EC	2014 – 2020	104,9

	Financial Programming (EUR million)							
	2014	2015	2016	2017	2018	2019	2020	Total Programme
Operational appropriations	13,7	14,1	14,5	15,0	15,3	15,9	16,4	104,9
Total	13,7	14,1	14,5	15,0	15,3	15,9	16,4	104,9

2. Implementation rates

	2019				2020			
	CA	Impl. Rate	PA	Impl. Rate	CA	Impl. Rate	PA	Impl. Rate
Voted appropriations	15,891	99,78 %	15,465	89,70 %	16,443	0,91 %	13,648	9,21 %
Authorised appropriations (*)	16,641	95,29 %	16,215	85,93 %	17,193	1,10 %	14,337	13,57 %

(*) Authorised appropriations include voted appropriations, appropriations originating from assigned revenues (internal and external) as well as carried-over and reconstituted appropriations; the execution rate is calculated on 15 April 2020

3. Performance information

⁽¹⁾ Commission Staff Working Document SWD(2018) 3 final of 10 January 2018 accompanying the Commission report to the European Parliament and the Council COM(2018) 3 final
⁽²⁾ COM(2018)386 final of 30 May 2018.

Programme performance

The programme has highly achieved its specific and operational objectives during 2014-2019. The fulfilment of its specific objective to ‘prevent and combat fraud, corruption and any other illegal activities affecting the Union’s financial interest’ is currently measured through two performance indicators:

1. The added value and effective use of co-financed technical equipment, expressed by the users of the equipment in their final technical reports – for the final reports received in 2019, the beneficiaries assessed that the use of Hercule funded equipment added a consistent value to their activities, expressing an overall satisfaction rate of 96.7%. The rate is significantly higher than the 75 % target set up for 2019.
2. The number and type of trainings activities funded under the programme, including the amount of specialised training, and the satisfaction rate as expressed by the participants. In 2019, the programme financed 63 events (39 conferences, 12 specialised training courses, and 12 staff exchanges). The organised activities were very well received by the participants – more than a thousand participants that replied to the survey expressed a satisfaction rate of more than 96%.

Each of the programme’s five operational objectives have been addressed through specific forms of funding and relevant co-financed activities.

The findings of the programme’s mid-term evaluation (carried out in 2017) support the idea that the programme continues to be an important and performant tool in the protection of the Union’s financial interests. The evaluation demonstrated that the programme has largely fulfilled its mission. The stakeholders reported that the programme has been efficiently implemented while effectively addressing Member States’ needs.

Several grant beneficiaries (national and regional authorities) reported difficulties and/or delays in relation to their public procurement procedures for the acquisition of technical equipment. These difficulties were mostly linked to external or independent factors – institutional reorganisation, change of relevant national legislation, etc. The reported issues were mitigated through commonly agreed-upon solutions and several prolongations (of around 3-6 months) to the contracts’ end dates were made through amendments.

A system of regular follow-up of the implementation of technical assistance grant contracts was put in place by the Commission’s project officers, in view of anticipating and ensuring a quick reaction in similar cases.

General objectives

General Objective 1: To protect the financial interest of the Union thus enhancing the competitiveness of the Union’s economy and ensuring the protection of the taxpayers’ money

Specific objectives

Specific Objective 1: To prevent and combat fraud, corruption and any other illegal activities affecting the Union’s financial interest

Indicator 1: The added value and effective use of co-financed technical equipment, expressed by the users of the equipment in their final technical report and final implementation report of the action (percentage of users that considered the use of Hercule funded equipment added value to their activities)

Baseline	2014	2015	2016	2017	2018	2019	2020	Target
	Milestones foreseen							2020
				70%	75%	75%	75%	75%
	Actual results							
						96%		

Comment: The information for this indicator is submitted by the beneficiaries in their final technical report as well las in the implementation report (one year after the closing date of the action for which the grant was awarded).

Availability of Data: Data not available before 2019

Indicator 2: The number and type of trainings activities funded under the Hercule III programme, including the amount of specialised training, and the satisfaction rate as expressed by the participants

Baseline	2014	2015	2016	2017	2018	2019	2020	Target
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	Milestones foreseen							2020
Training activities (with specialised trainings) 25	25	25	25	25	25	25	25	25
	Actual results							
	29	30	22	30	24	33		
	Milestones foreseen							2020
Satisfaction rate 60 %	65 %	67 %	69 %	70 %	72 %	74 %	75 %	75 %
	Actual results							
	90 %	90 %	90 %	90 %	90 %	90 %		

Methodology: Values in Baseline, Target in Milestones include 2 specialised trainings (except in 2014: only 1 specialised training)
 Comment: This indicator has been elaborated for OLAF's Annual Management Plan 2014 in the light of the operational objectives in the Hercule III Regulation.

Expenditure related outputs

Outputs	Budget line	Budget 2020	
		Number	EUR million
1. Technical Assistance (incl. IT support, at least 70 % of the budget)	24 02 01	20	11,7
2. Training and Conferences (incl. studies, maximum 25 of the budget)	24 02 01	30	4,2
3. Other actions (maximum 5 % of the budget) ⁽³⁾	24 02 01	p.m.	p.m.
Total		50	15,9

Outputs		Number of outputs foreseen (F) and produced (P)						
		2014	2015	2016	2017	2018	2019	2020
1. Technical Assistance (incl. IT support)	F	20	20	20	20	20	20	20
	P	21	18	23	22	20	20	
2. Training and Conferences (incl. studies)	F	15	15	30 ⁽⁴⁾	30	30	30	30
	P	29	30 ⁽⁵⁾	22 ⁽⁶⁾	33	24 ⁽⁷⁾	28 ⁽⁸⁾	
3. Other actions	F		0	0	0	0	0	
	P		1	0	0	0	0	

⁽³⁾ Regulation 250/2014 on the Hercule III Programme identifies the three types of actions listed above. The third type of actions ('other') contains activities that are not foreseen under the previous ones, but that might nevertheless be considered necessary to achieve the Programme's objectives. In 2015, this category was used to cover the costs of a survey amongst EU citizens on their attitudes towards illicit cigarettes.
⁽⁴⁾ The number of foreseen outputs has been increased from 15 to 30 and now includes all contracts and grants concluded for conferences, training and studies.
⁽⁵⁾ See footnote 7, supra.
⁽⁶⁾ In 2016, the number of procured Conferences organised by OLAF for the benefit of Member States had to be postponed to 2017 or could not take place. In addition, fewer applications were awarded a grant for the organisation of conferences. The remaining budget was transferred and used for technical assistance actions.
⁽⁷⁾ In 2018 fewer applications were received and awarded a grant under the 'Training' sectors. The remaining budget was transferred and used for organising specialised (procured) training.
⁽⁸⁾ Same as in previous year, in 2019 not all the available budget for training actions was consumed. The remaining funds were partly transferred and used for organising specialised training for law enforcement officials, the other part being used for technical assistance activities.