



Brussels, 11.10.2019  
SWD(2019) 361 final

**COMMISSION STAFF WORKING DOCUMENT**

**Annual overview with information on the results of the Hercule III Programme in 2018**

*Accompanying the document*

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**30th Annual Report on the Protection of the European Union's financial interests - Fight  
against Fraud - 2018**

{COM(2019) 444 final} - {SWD(2019) 362 final} - {SWD(2019) 363 final} -  
{SWD(2019) 364 final} - {SWD(2019) 365 final}

1.	Introduction.....	3
1.1	Hercule III Programme.....	3
1.2	Hercule III: eligible actions, beneficiaries and budget.....	4
1.3	Purpose and scope of this overview .....	4
2.	Budget implementation in 2018.....	4
2.1	Budget implementation by type of financial intervention.....	5
2.2	Budget implementation by type of eligible action .....	6
2.2.1	<i>Technical Assistance grants</i> .....	8
2.2.2	<i>IT Support: Databases, IT tools and analyses of samples from tobacco seizures</i> .....	8
2.2.3	<i>Conferences, seminars and digital forensics and analysts training</i> .....	10
2.2.4	<i>Legal training and studies</i> .....	11
3.	Achievements 2018.....	11
3.1	To improve the prevention and investigation of fraud and other illegal activities beyond current levels by enhancing transnational and multi-disciplinary cooperation.....	12
3.2	To increase the protection of the financial interests of the Union against fraud by facilitating the exchange of information, experiences and best practices, including staff exchanges .....	14
3.3	Strengthening the fight against fraud and other illegal activities by providing technical and operational support to national investigation, and in particular customs and law enforcement, authorities.....	15
3.4	To limit the currently known exposure of the financial interests of the Union to fraud, corruption and other illegal activities with a view to reducing the development of an illegal economy in key risk areas such as organised fraud, including cigarette smuggling and counterfeiting.....	19
3.5	To enhance the degree of development of the specific legal and judicial protection of the financial interests of the Union against fraud by promoting comparative law analysis .....	21
4.	Communication.....	21
4.1	Informing potential applicants .....	21
4.2	Dissemination of results .....	22
4.3	Visibility of EU funding.....	22
5.	Feedback from participants of the programme .....	22
6.	Conclusions and way forward.....	22

# 1. Introduction

## 1.1 Hercule III Programme

The aim of the Hercule III Programme (hereinafter referred to as “the Programme”) is to protect the financial interests of the European Union by fighting fraud, corruption and any other illegal activities. The Programme provides support to national and regional administrations, as well as research and educational institutes and other non-profit making entities which “*promote the strengthening of action at Union level to protect the financial interests of the Union*”. The financial support mostly consists of grants awarded to competent authorities in the Member States to strengthen their operational and technical capacity to carry out investigations into activities detrimental to the financial interests of the Union. The financial support is used for the purchase of technical equipment, such as x-rays scanners, soft- and hardware for securing evidence from computers or smartphones (digital forensics examinations) or the purchase and installation of integrated systems for number plate recognition (Automated Number Plate Recognition Systems-ANPRS). The Programme also finances trainings and conferences as well as comparative studies and scientific publications.

The legal basis<sup>1</sup> of the Programme requires the Commission to adopt an annual work programme<sup>2</sup> for the implementation of the Programme and to submit a report<sup>3</sup> on the main results and achievements every year to the European Parliament and to the Council. This is the fifth annual overview of the achievements and results.

The Programme was implemented in 2018 in accordance with Regulation (EU, Euratom) No. Regulation (EU, Euratom) No. 966/2012<sup>4</sup>.

The Programme is the only instrument **specifically** dedicated to protecting the Union’s financial interests and is administered by the European Anti-Fraud Office (OLAF), which in the field of anti-fraud policy operates as a Directorate-General of the European Commission.

The general objective of the Programme is “*to protect the financial interests of the Union thus enhancing the competitiveness of the Union's economy and ensuring the protection of the taxpayers' money*”<sup>5</sup>, whereas the Programme’s specific objective is “*to prevent and combat fraud, corruption and any other illegal activities affecting the financial interests of the Union*”<sup>6</sup>. The five operational objectives<sup>7</sup> of the Programme are described in section 3 of this report, together with an overview of the main results of the actions carried out under the Programme and their contribution to the operational objectives.

---

<sup>1</sup> Regulation 250/2014 of the European Parliament and of the Council of 26 February 2014, OJ L 84 of 20 March 2014.

<sup>2</sup> The fifth annual work programme was adopted by Financing Decision C(2018) 1763 final of 28 March 2018.

<sup>3</sup> Article 13 of Regulation 250/2014 (Monitoring and Evaluation) requires the Commission “*to provide the European Parliament and the Council, on an annual basis, with information on the implementation of the Programme, including on the achievement of the objectives of the Programme and the results*”.

<sup>4</sup> Regulation (EU, Euratom) 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union (Financial Regulation – FR), OJ L 298 of 26 October 2012, as amended by Regulation (EU, Euratom) 2015/1929 of 28 October 2015, OJ L 286 of 30 October 2015 and Commission Delegated Regulation 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No. 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union, OJ L 362 of 31 December 2012 (Rules of Application – RAP), as amended by Commission Delegated Regulation (EU) 2015/2462 of 30 October, L 342 of 29 December 2015.

<sup>5</sup> Article 3 of Regulation 250/2014.

<sup>6</sup> Article 4 of Regulation 250/2014.

<sup>7</sup> Article 5 of Regulation 250/2014.

## 1.2 Hercule III: eligible actions, beneficiaries and budget

There are three types of eligible actions<sup>8</sup> supported by the Programme:

1. “Technical Assistance”<sup>9</sup>: support aimed at providing specific knowledge, equipment and information technology (IT) tools to national authorities, as well as providing specific databases and IT tools facilitating data access and analysis;
2. “Training”: support for training activities, conferences and legal studies focused on the protection of the Union’s financial interests;
3. “Any other action”: actions necessary for attaining the general, the specific and the operational objectives of the Programme.

The beneficiaries<sup>10</sup> of the Programme are eligible bodies that are:

1. National or regional administrations of a Member State;
2. Research and educational institutes and non-profit-making entities in Member States.

Both types of beneficiaries shall “*promote the strengthening of action at Union level to protect the financial interests of the Union*”. Costs incurred for persons from third countries to enable their participation in an event funded under the Programme, such as conferences, seminars or training sessions, can be considered eligible for funding under certain conditions.

The budget for the implementation of the Programme in 2018 amounted to EUR 15.35 million in commitment appropriations and EUR 13.2 million in payment appropriations and is financed under item 24.0201 of the European Union budget for 2018.

## 1.3 Purpose and scope of this overview

The annual overview is intended to fulfil the requirement under Article 13(1) of Regulation (EU) 250/2014 to “*provide the European Parliament and the Council, on an annual basis, with information on the implementation of the Programme, including on the achievement of the objectives of the Programme and the results*”. To this end, this overview covers information on actions (section 2) for which financial commitments were made under the 2018 Annual Work Programme, as well as the results of actions that were finalised in 2018, but committed under the Programme in previous years (section 3).

## 2. Budget implementation in 2018

The budget for the implementation of the Programme amounted to EUR 15.35 million in commitment appropriations. Table 1 gives an overview of the available **budget** and the **commitments** made in 2018.

---

<sup>8</sup> Article 8 of Regulation 250/2014. Article 8(a) lists 7 types of actions for Technical Assistance and Article 8(b) lists 7 types of actions for Training.

<sup>9</sup> It is important to underline that “Technical Assistance” as defined in Regulation 250/2014 differs from the term “Technical Assistance” used in Article 121(7) of the Rules of Application, which defines Technical Assistance as “*support and capacity-building activities necessary for the implementation of a programme or an action, in particular preparatory, management, monitoring, evaluation, audit and control activities*”.

<sup>10</sup> Article 6 of Regulation 250/2014. Article 7 of Regulation 250/2014 defines the geographical scope of the Programme. The participation of national and regional administrations from non-EU countries, such as EEA countries, Switzerland, candidate countries and European Neighbourhood Policy countries, is subject to an agreement between the respective countries and the Union on the former’s participation in Union Programmes. For the time being, no such agreement is in force.

**Table 1: Available budget and commitments made in 2018**

<b>TYPES OF ELIGIBLE ACTIONS 2018</b>		<b>BUDGET<sup>11</sup></b>	<b>COMMIT<sup>12</sup></b>	<b>%</b>
<b>TECHNICAL ASSISTANCE (min. 70%)</b>		<b>11 497 500</b>	<b>11 595 609</b>	<b>101</b>
Grants: Cigarettes and Investigation support	Grants	9 547 500	10 397 500	109
IT Databases	Procurement	1 350 000	650 614	48
IT tools and tobacco analysis	Procurement	550 000	547 495	99
Purchase of technical equipment	Procurement	50 000	0	0
<b>ANTI-FRAUD TRAINING (max. 25%)</b>		<b>3 650 000</b>	<b>3 014 084</b>	<b>83</b>
Grants: Anti-fraud training	Grants	1 000 000	500 000 <sup>13</sup>	54
Procured conferences	Procurement	1 000 000	516 083	52
Digital Forensics Training sessions	Procurement	1 000 000	1 518 001	152
Grants: Law Training and Studies	Grants	500 000	480 000	83
Study: Illicit tobacco trade	Procurement	150 000	0 <sup>14</sup>	0
<b>OTHER ACTIONS (max. 5%)</b>		<b>200 000</b>	<b>192 139</b>	<b>96</b>
Procurement	Procurement	200 000	192 139	96
<b>TOTAL 2018</b>		<b>15 347 500</b>	<b>14 801 832</b>	<b>96.44</b>

The information in the table above relates only to commitments made in 2018. The amount committed for technical assistance was higher than the earmarked budget in the annual work programme. During 2018, appropriations that were not committed for the procurement of databases were transferred to the technical assistance grants. The **payments** under the grant agreements and most of the contracts signed in 2018 cannot be reported as most of them will only be made in 2019 and beyond.

## 2.1 Budget implementation by type of financial intervention

The Programme was implemented by making use of **public procurement** (for contracts) and **calls for proposals** (for grants)<sup>15</sup>. The Commission concluded contracts for the purchase of goods and services, such as access to databases, the development of IT systems or the organisation of training and conferences. The contracts were concluded on the basis of existing framework contracts (FWC)<sup>16</sup>, establishing the terms governing specific contracts to be awarded during a given period. In 2018, the overall amount spent on contracts was EUR 3 424 332 (as shown in graph 1).

Grants are direct financial contributions to finance an action intended to help achieve a Union policy objective. The overall budget spent on grants was EUR 11 377 500. Grants are awarded following a call for proposals, inviting applicants to submit proposals for an action that contributes to the achievement of the Programme's objectives. The beneficiary of a grant becomes the legal and economic owner of the goods or services that are purchased with the help of the grant. Under the Programme, grants may cover up to 80% of

<sup>11</sup> The budget corresponds to the Summary Table in the Annual Work Programme 2018 as adopted by the Financing Decision 2018 C(2018)1763 final of 28 March 2018.

<sup>12</sup> Commitments cover the total costs in 2018 of legal obligations (contracts, grant agreements/decisions) entered into for operations extending over more than one year.

<sup>13</sup> A grant agreement signed in February 2019 was partially financed (EUR 36 236) by the budget appropriation corresponding to the Hercule budget 2019 for "Training, Conference and Staff Exchange".

<sup>14</sup> The contract for the illicit tobacco trade study was awarded in 2018 following a call for tender and the amount of EUR 150 000 was committed from the 2017 budget.

<sup>15</sup> Article 10 of Regulation 250/2014. Titles V and VI of Regulation 966/2012, as amended. Title V (Articles 101-120) determines the rules on public procurement, whereas Title VI (Articles 121-137) contains the rules in relation to the award of grants.

<sup>16</sup> Article 101(2) of Regulation 966/2012.

the eligible costs<sup>17</sup> of the action and up to 90% in exceptional and duly justified cases. In 2018, the Commission awarded five 90% grant requests (out of 33 grants awarded).

In April 2018, the Commission launched three calls for proposals: "Technical Assistance", "Legal Training and Studies" and "Training and Conferences". The deadline for submission of applications was set for 14 June 2018.

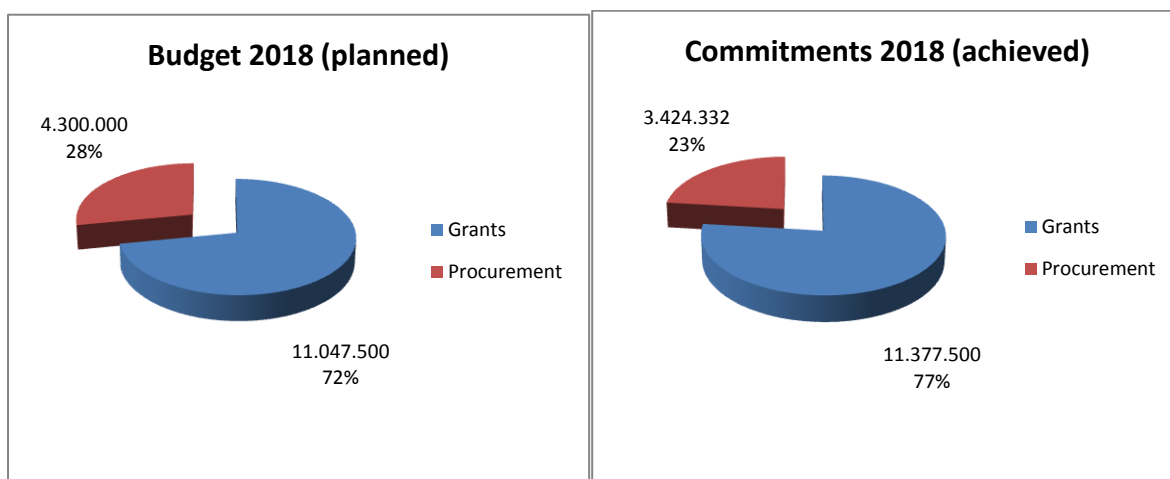
2018 was the second year that OLAF has used the Commission's Funding & Tenders Portal, developed for the electronic submission of applications for grants and for the management of grants. Under the three calls, the Commission received 72 applications<sup>18</sup> that were subsequently examined by Evaluation Committees. Each application was examined on the basis of four criteria: eligibility, exclusion, selection and award that were listed in the specifications of the call. The award criteria were ranked on the scores obtained for:

- Added value of the application for the protection of the financial interests of the Union;
- Conformity with the operational objectives of the Programme;
- Quality;
- Value for money.

The examination of the applications led to the award of 33 grants<sup>19</sup> at the end of 2018. Tables 9, 10 and 11 provide an overview of the successful and rejected applications, broken down by call, Member State, amount requested and awarded grant.

Graph 1 below gives a breakdown of the planned budget and achieved commitments in 2018 by type of financial intervention (grants and procurement).

**Graph 1: Hercule III budget and commitments in 2018 by type of financial intervention**



## 2.2 Budget implementation by type of eligible action

Graph 2 below gives a breakdown of the planned budget and commitments made in 2018 by type of action. The "Technical Assistance" actions identified in Regulation 250/2014 encompass "Technical Assistance" activities, as well as "IT support", whereas the "Training Actions" include "Training and Conferences" and "Legal Training and Studies". The planned budget for technical assistance support represented 74.91% of

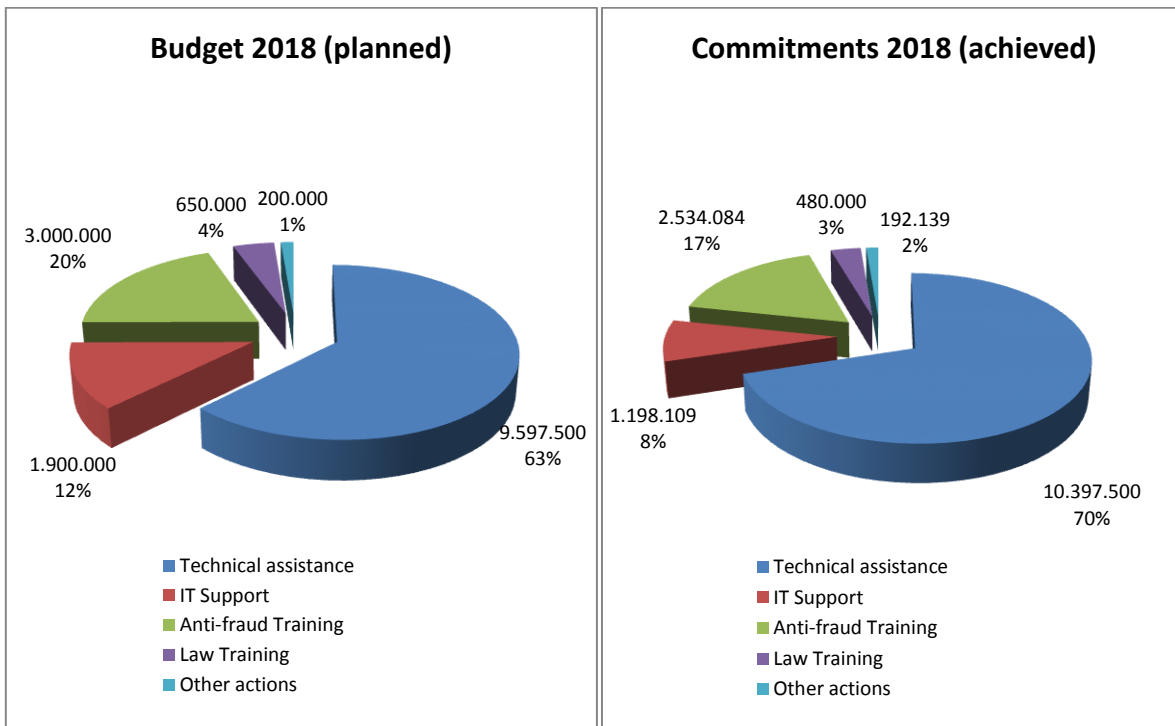
<sup>17</sup> Article 10 (4) of Regulation 250/2014. The annual work programme 2018 contained the criteria as required under Article 11 of Regulation 250/2014 for the definition of these exceptional cases. Applicants for "Technical Assistance" and "Legal Training and Studies" grants were given the possibility to request the maximum co-financing percentage of 90%.

<sup>18</sup> Technical Assistance: 42, Legal Training: 13 and Training and Conferences: 17.

<sup>19</sup> Technical Assistance: 20, Legal Training: 5 and Training and Conferences: 8.

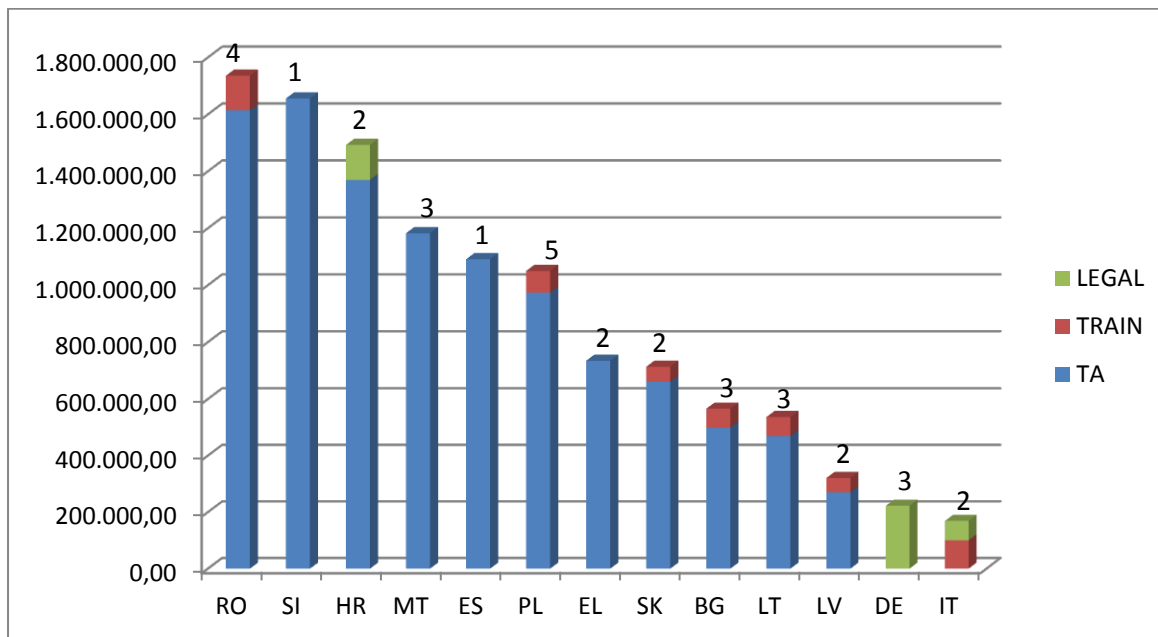
the total and the commitments represented 78.34%. These percentages are well above the minimum percentage of 70% foreseen for Technical Assistance in the annex to Regulation 250/2014.

**Graph 2: Hercule III budget and commitments in 2018 by type of eligible action**



Graph 3 gives an overview of the 2018 budget commitments showing the total amounts and number of grants awarded by Member State for technical assistance, anti-fraud training and legal training. The graph shows that grants were awarded to applicants from 13 Member States.

**Graph 3: Hercule III commitments (in EUR) and number of grants in 2018 by Member State and by sector of activity**



### 2.2.1 *Technical Assistance grants*

The budget for technical assistance grants was EUR 9 547 500. It was available for funding actions proposed by national and regional authorities for:

1. The purchase and maintenance of **investigation tools and methods** used in the fight against irregularities, fraud and corruption perpetrated against the financial interests of the Union, including specialised training needed to operate the investigation tools;
2. The purchase and maintenance of devices and animals to carry out inspections of containers, trucks, railway wagons and vehicles at the Union's external borders and within the Union in order to detect smuggled and counterfeited goods imported into the Union with the aim or consequence to evade customs and excise duties (**detection devices**);
3. The purchase, maintenance and interconnection of systems for the recognition of vehicle number plates (**Automated Number Plate Recognition Systems**) or container codes for purposes related to the protection of the financial interests of the Union, including specialised training needed to operate these systems;
4. The purchase of services to support Member States' capacity to store and destroy seized cigarettes and tobacco.

The Commission received 42 applications from 17 Member States by the deadline of 14 June 2018. The total budget of the proposed actions was EUR 33.5 million and the requested financial support amounted to EUR 27.3 million. This amount exceeded the available budget of EUR 9.5 million more than threefold. The Evaluation Committee adopted its recommendations in November 2018 and the decision to award grants for 20 actions was also adopted in November 2018.

All applicants were informed of the outcome of the evaluation procedure. The overall amount approved for technical assistance grants was EUR 10.4 million. The average co-financing percentage for the awarded grants was 81.5% of the eligible costs<sup>20</sup> of the action. Grants were awarded for the purchase of investigation equipment (including forensics equipment), the purchase of x-rays scanners, the purchase and training of sniffer dogs and the purchase and installation of Automated Number Plate Recognition Systems. Table 1 of Annex 1 gives an overview of the beneficiaries, project title and brief description as well as the grant amount and the co-financing rate.

### 2.2.2 *IT Support: Databases, IT tools and analyses of samples from tobacco seizures*

#### *Databases*

The Programme provides funds for the procurement of subscriptions to databases, on behalf of law enforcement authorities in Member States to support operations and investigations. The Commission procures and manages the access to these databases enabling substantial economies of scale. Within the framework of investigations that are jointly undertaken with its Member State partners and for its own investigations, OLAF staff also makes a limited use of these databases<sup>21</sup>.

Access to databases for trade and company data as well as for vessel movements were purchased in 2018 by concluding specific contracts under existing framework contracts<sup>22</sup>. Table 3 in Annex 1 gives an overview of the contracts awarded in 2018.

#### *Development of specific IT tools for data analyses*

<sup>20</sup> The maximum co-financing percentage is 80%, but the Commission may award in exceptional and duly justified cases a grant covering up to 90% of the eligible costs. Four applicants were awarded 90% co-financing.

<sup>21</sup> The use of the databases made by OLAF staff is paid from the administrative budget of the Commission (OLAF).

<sup>22</sup> Two framework contracts concluded by Eurostat for trade and company data in 2015 and 2016 and a framework contract concluded by OLAF for vessel movements information in 2016.



The Automated Monitoring Tool (AMT) project for the analysis of “big data” carried out by the Joint Research Centre (JRC) of the European Commission in Ispra (Italy), was continued in 2018 for an amount of EUR 744 211.

The AMT generates automated alerts for outliers in trade data. It can be used to monitor trade flows relevant for intelligence analyses and targeted controls by Member State customs authorities, providing more realistic and effective scenarios for joint customs operations. It also generates reference prices for each combination of product, third country origin and Member State destination. The AMT has improved authorities’ ability to detect the undervaluation of imported goods and thus helped to reduce the level of losses to the EU and Member States’ budgets in customs duties and taxes.

The existing administrative arrangement for this project was extended until January 2021 to further develop and implement statistical methods for analysis of trade data and additional tools for the detection of patterns of fraud to support Member States, especially in view of Regulation (EC) No 515/97<sup>23</sup>.

OLAF and the JRC also concluded an administrative arrangement (for an amount of EUR 578 492) for the project “Scientific and technical support in advancing the anti-fraud EU customs data analytics capacity” (INTEL4CUSTAF). This project looks at activities falling under the scope of Regulation (EC) No 515/97 and aims to support Member States to better target customs controls and perform investigations by identifying and sharing good data analysis practices. It is part of a long-term effort to provide knowledge and facilitate the work of customs in Member States by increasing awareness and ultimately use of (new) data analytical techniques to improve the effective and efficient use of the wide range of available data to identify potential customs fraud. During 2018, the project established a community of practice in the domain of customs data analysis and improved collaboration among Member States’ customs authorities and with the Commission, thus bringing genuine European added-value. The administrative arrangement was extended for the second phase of the project in 2019, to research and develop some promising analysis tools and methods intended to help detect fraud in key areas of interest to Member States, including e-commerce. This work will continue to support and strengthen the customs analytical community, including through the strengthening of networks and sharing of good practices. Section 3 provides examples of the results obtained in 2018 using the AMT tool and the data analysis project.

### *Tobacco analyses*

The illicit trade of tobacco products in large volumes is almost exclusively the domain of organised criminal groups operating across borders. These products are for the most part not produced in accordance with requirements of the EU tobacco products legislation. The European Agenda on Security adopted by the Commission in 2015<sup>24</sup> recognised the need to cut off criminal groups from this revenue source. Fighting the illicit tobacco trade is therefore essential to protecting the financial interests of the EU and Member States as well as to protecting public health and security.

TOBLAB, a laboratory for the analysis of tobacco products, was set up in 2016 to provide independent testing facilities to analyse whether seized cigarettes were genuine or counterfeit and, also, to support

---

<sup>23</sup> Council Regulation (EC) No 515/97 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agriculture matters, as amended by Regulation (EU) No 2015/1525 of the European Parliament and of the Council of 9 September 2015 (OJ L 243, 18 September 2015, p. 1).

<sup>24</sup> COM(2015)185 final of 28 April 2015.

investigations, based on the needs signalled by Member States' investigative authorities.<sup>25</sup> An administrative arrangement with the JRC's Institute for Reference Materials and Measurements in Geel (Belgium), updated on a yearly basis, allows for its operation through Programme funding. In 2018, an amount of EUR 163 596 was provided. The analyses carried out confirmed that the composition of the illicit tobacco market has significantly changed over the years. Significantly, cheap whites represent approximately 80% of the samples analysed by the JRC.

In the 2018 Action Plan the Commission has identified a lack of knowledge of the scale of illicit trade of raw tobacco in the EU. Such illicit trade can create negative impacts in terms of tax revenues and tobacco control policy. To remedy the situation, and in line with the 2017 Progress Report and the Action Plan, the 2018 Administrative Arrangement between JRC and OLAF foresees the preparation of a mapping of raw tobacco in Europe. Section 3 describes some concrete results.

### **2.2.3 Conferences, seminars and digital forensics and analysts training**

#### *Training, conferences and staff exchanges organised under grants*

Training activities financed under the Programme aim to provide grants to beneficiaries for the organisation of targeted specialised trainings, conferences and staff exchanges. These activities aim to strengthen cross-border cooperation and networking activities between experts and law enforcement staff and to facilitate the exchange of information on best practices in relation to the protection of the financial interests of the Union. The topics addressed in the call for proposals 2018 emphasised the further development, improvement and update of staff's skills and competences through specialised trainings and risk-analysis workshops.

The Commission received 17 applications from 11 Member States by the deadline of 14 June 2018. The total amount of requested grants was EUR 1.1 million whereas only EUR 1 million was available. The Commission selected eight projects for the amount of EUR 536 236. Table 4 in Annex 1 gives an overview of the awarded grants and co-financing rate.

#### *Conferences organised under procurement*

The Programme also finances high-level conferences and ad-hoc training activities focused on the protection of the Union's financial interests organised by the Commission. Using the services of a framework service contract<sup>26</sup> the Commission funded six events in 2018. The overall budget available for procured conferences was EUR 1 million. Table 5 in Annex 1 provides an overview of the six events that were procured in 2018.

#### *Training organised under procurement: digital forensics and analysts training*

The "Digital forensics and analysts training" (DFAT), aims to reinforce the capacity of law enforcement agencies to combat fraud including cigarette smuggling and counterfeiting. This training provides improved detection skills to extract and use data from digital devices. A network of certified digital forensic specialists was created in 2007 as a result of this annual training.

The complexity of EU funds-related investigations has increased, creating larger volumes of data to process as well as a growing need to train analysts. To address this need, analysts training courses have been added in 2018 to the original "Digital forensics training" (DFT) of 2007-2017, complementing digital forensics investigations by ensuring that data will be processed with a view to enhancing the quality, accuracy and efficiency of investigations related to EU funds.

---

<sup>25</sup> The setting up of an independent tobacco testing facility was an objective of the Action Plan accompanying the Commission communication of 6 June 2013 "Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products".

<sup>26</sup> MCI Benelux S.A located in Brussels.

The typical progression of those trained is attendance at a two-week basic course providing methods to secure evidence from digital information carriers and networks in a lawful manner. This basic course may then be followed by specialised 'topic' trainings (intermediate, advanced and specialised). From 2007-2018, 16 digital forensics training sessions, offering 113 individual classes, have been financed. Third countries having agreements on mutual assistance in customs matters may also apply. The network of professionals having attended DFT/DFAT courses reinforces transnational cooperation and increases coordination at EU level.

In 2018, a total of 230 officials attended two training sessions financed by Hercule III in Tallinn (Estonia). This includes the participation of 11 EU officials financed by the administrative budget. These sessions were managed under the collaboration of a professional conference organiser and a training provider. The first session was attended by 110 national officials. The second session was attended by 109 national officials. The trainees came from 27 Member States and 11 third countries.

#### **2.2.4 Legal training and studies**

The legal training and studies grants aim at enhancing the development of the legal and judicial protection of the financial interests of the Union. In 2018, the Commission awarded grants to applications that proposed actions covering three types of specific topics:

1. Developing high-profile research activities, including studies in comparative law;
2. Increasing cooperation and awareness among practitioners and academics (through conferences, including the organisation of the annual meeting of the presidents of the Network of Associations for European Criminal Law and for the Protection of EU Financial Interests);
3. Developing periodical scientific publications and other tools for the dissemination of scientific knowledge.

The Commission received 13 applications from 8 Member States by the deadline of the call for proposals on 14 June 2018. The aggregate budget of the 13 actions totalled EUR 1.5 million and the Commission was requested to contribute an amount of EUR 1.3 million (84% co-funding), where only EUR 0.5 million was available. The Commission decided to award a grant to five applications for an overall amount of about EUR 413 948 with an average co-financing rate of 82%. The grants were awarded, amongst others, for conducting studies on EU anti-fraud laws, the integration of the EPPO in the national criminal justice systems, digital forensic evidence, as well as for the publication of a periodical on the protection of the Union's financial interests. Table 7 in Annex 1 gives an overview of the awarded grants in 2018.

### **3. Achievements 2018**

This section provides an overview of the main results achieved by beneficiaries implementing awarded grants. It presents the results of actions that were initiated before 2018 and came to an end in 2018. As condition for final payment, grant beneficiaries must submit a final technical report outlining the main achievements and results of their actions. These results are examined in the light of the contribution made to the achievement of the **operational objectives** of the Programme.

All beneficiaries (grants and procured contracts) also report any problems encountered during the implementation of the action, such as delays in procurement procedures or staff changes. The final report indicates how these problems were addressed and whether or not the problems eventually had an impact on the outcome and results.

Beneficiaries of grants for training activities (conferences, seminars and training sessions) also conduct a participant survey to measure the relevance, quality and overall user satisfaction of the event. The findings of these surveys are included in the final technical report submitted at the end of the action.

Beneficiaries of technical assistance grants submit a final implementation report one year after the closing date of their actions. This requirement was introduced since beneficiaries were often unable to report on the results at the end of their actions: technical assistance grants are awarded for the purchase and installation of technical equipment that, by the end of an action, has only been operational for a short period of time. The first tangible results of the use of technical equipment, such as the seizures of cigarettes, arrests made of suspected persons or estimates of prevented losses to the national or the Union budget, can only be reported several months after the closing date of the action.

### **3.1 To improve the prevention and investigation of fraud and other illegal activities beyond current levels by enhancing transnational and multi-disciplinary cooperation<sup>27</sup>**

The training activities finalised in 2018 consisted mainly of conferences, trainings and workshops. A wide range of disciplines including combating irregularities in the use of EU funds, corruption, conflicts of interests, cross border tobacco-related crimes, combatting illegal trade, EU agricultural funds-related fraud, smuggling, and digital forensics training courses were covered. They contributed to improve the analyses of specific fraud patterns, to identify indicators of fraud, to share experience and to disseminate best practices while fostering cooperation between authorities to fight fraud detrimental to the EU budget. Significantly, nearly one third of the payments concerned projects aimed to enhance the fight against corruption.

While most of projects addressed representatives of law enforcement agencies (police, customs, prosecution office), the participation of professionals, NGO's and educational institutions was also noteworthy. A total of 1 338 persons attended anti-fraud trainings and conferences and 1 038 post-event evaluations were received. The feedback received was overwhelmingly positive, showing that 95% of the participants assessed the events as 'excellent' or 'good'<sup>28</sup>. Participants particularly appreciated the events having a practical impact on their daily work. The evaluations of the projects finalised in 2018 indicated an improvement regarding the international dimension of the conferences and training. In order to more fully assess the mid-term impact of training actions, a "post-event" survey of participants is now requested six months after the implementation of the project. The result of the 2018 "post-event" surveys will be detailed in the 2019 annual overview of the Hercule III programme.

The main results of these actions were:

- Improved investigation abilities of law enforcement officials involved in the protection of the financial interests of the European Union through the acquisition of new skills, knowledge and competences;
- Increased awareness on fraud risk indicators and EU anti-fraud policy;
- More widespread use of specialised methodologies, tools and techniques to fight against fraud affecting the Union's financial interests.

A comprehensive overview of the finalised training events is given in Annex 1, Table 6 (Training and Conferences) and Table 8 (Legal Training and Studies).

The **Ministry of Finance of the Republic of Latvia** implemented an action 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 EU's financial interests.

<sup>27</sup> Article 5(a) of Regulation 250/2014.

<sup>28</sup> Participants are asked to give their opinion on statements related to the implementation of the funded event, replies may vary between 'excellent', 'good', 'average', 'below average', and 'poor'.

Between January 2017 and March 2018, it organised three two-day seminars in the Latvian School of Public administration of Riga (Latvia), a five-day study visit in Brussels (Belgium) and a five-day internship in Zagreb (Croatia). These events gathered a total of 222 participants from Bulgaria, Croatia, Estonia, Latvia and Malta plus representatives of OLAF, the European Court of Auditors (ECA) and the Organised Crime and Corruption Reporting Project (OCCRP). Member State participants were customs or police officers, magistrates, representatives of national and regional ministries, local administrations and non-profit organisations. The project contributed to strengthening the AFCOS network and cooperation both at national level and between Member States.

The **Financial Directorate of the Slovak Republic** organised a seminar focused on customs controls and risk analysis to fight the smuggling and counterfeiting of tobacco products at the Ukrainian border. The four-day event gathered for 40 persons from 5 countries (SK, PL, HU, RO and EE). National practices were presented, followed by practical demonstrations of customs checks. Focusing on the area of passenger and freight transport (including the inspection of vehicles with dogs). Time was dedicated as well to risk analyses of checks. Finally, participants discussed potential improvements to the exchange of information at the international level. Specific attention was made to the use of risk analysis tools to fight illicit tobacco trade.

The action contributed to:

- exchanging information, experience and knowledge between the five participating Member States in the field of risk analysis and risk management;
- improving of the fight against smuggled and counterfeited cigarettes, tobacco and tobacco products in the area of passengers, freight and rail freight transport;
- increasing efficiency in the detection of smuggled cigarettes, tobacco and tobacco products thanks to customs checks by mobile control units based on the results of risk analyses and risk management;
- increasing the number of detected illegal imports of tobacco products at the Slovakian border with Ukraine.

**The Agency for Agricultural Payments from the Region of Venice**, Italy (AVEPA) organised a three day event in Padua, gathering 55 representatives of 12 EU Member States plus European Commission representatives. The event consisted in round-tables and working groups where participants analysed various fraud prevention systems used in European Paying Agencies. This work led to the comparison of national methods to identify best practices, significant cases as well as useful tools and to promote staff exchange and training.

The action contributed to:

- enhancing networking;
- comparing fraud risk management issues, tools, best practices in the area of fraud prevention in the agricultural sector;
- elaborating common proposals on critical issues identified during the action;
- exchanging knowledge and tools between European Paying Agencies in the agricultural sector.

### 3.2 To increase the protection of the financial interests of the Union against fraud by facilitating the exchange of information, experiences and best practices, including staff exchanges<sup>29</sup>

The anti-fraud training activities and staff exchanges contributed to the achievement of this objective. Each of the co-financed projects involved several Member States and created opportunities for the exchange of information and experience among participants. Manuals and "best practice" guidelines were produced and disseminated throughout the Union. The staff exchanges improved participants' knowledge and expertise and established cooperation channels.

The **Hungarian University of Miskolc** organised a research study, a conference and several training sessions on the "Criminal law protection of the financial interests of the EU" with six participating Member States (Hungary, Germany, Austria, Romania, Greece and Italy). The project emphasised recent procedural developments, the future European Public Prosecutor's Office (EPPO), the relationship between the EPPO and other EU organisations, the connection between EPPO and non-EPPO-countries, cross-border evidence gathering and e-evidence, especially in connection with the EPPO.

The training sessions and workshops targeted the exchange of good legal practices in the involved six Member States in relation to corruption, tax offences, money laundering, and criminal compliance.

The recommendations from the study will be used in several ways:

- in the preparation of course curriculum on EU criminal law and the protection of the financial interests of the EU;
- the organisation of special courses for practitioners.

The **Anticorruption General Directorate of Romania** implemented an action that intended to improve cross-border cooperation for preventing and combating fraud, corruption and illegal activities in South Eastern Europe by developing best practices and sharing them between anti-corruption agencies from Romania, Bulgaria, Hungary and Ukraine.

A series of staff exchanges and bilateral meetings were organised together with a two-day workshop in Bucharest (Romania). The 143 participants were mainly police officers and representatives of anti-corruption offices.

The project contributed to:

- enhancing cooperation and exchange of information and best practices between anti-corruption agencies at the international and European level;
- improving cooperation channels for investigative purposes;
- training law enforcement officers at using new methods of risks assessment applicable to investigation of crimes affecting the financial interests of the EU;
- enhancing the expertise of law enforcement officers in the prevention and detection of fraud, corruption and other illegal activities;
- creating networking between Romanian, Bulgarian, Hungarian and Ukrainian law enforcement agencies to exchange best practices and information with a special focus on cigarettes and other goods smuggling, tax evasion, active and passive corruption affecting the financial interest of EU.

<sup>29</sup> Article 5 (b) of Regulation 250/2014.

A "best practice manual" was published and disseminated through the European Partners Against Corruption network (EPAC).

### **3.3 Strengthening the fight against fraud and other illegal activities by providing technical and operational support to national investigation, and in particular customs and law enforcement, authorities<sup>30</sup>**

Beneficiaries received grants for the purchase of technical equipment in order to:

- a) strengthen the operational and investigative capacity by improving the quality, efficiency and effectiveness of technical hardware and technical support used in detecting and monitoring any illegal activity affecting the EU budget. Actions aim at a faster and more efficient detection of, e.g. smuggled cigarettes and tobacco, illicit goods or the identification of new fraud schemes and modi operandi;
- b) improve skills and qualifications of the beneficiary's staff that are tasked with the daily operations of the new equipment;
- c) improve the quality of evidence gathered during operations in support of fraud investigations. The improvements should speed-up legal proceedings in Member States and to reduce the number of dismissals during the prosecution or trial stages.

Technical assistance grants can also cover the expenditure for the maintenance of equipment as well as specific technical training for operational staff to ensure its optimal usage and management. Beneficiaries of technical assistance grants send a final implementation report on the results one year after the closing date of the agreement, thus enabling a better overview and understanding of the longer term impact of the Programme. Beneficiaries report, for example, on the number and amount of cigarettes and tobacco seizures, estimates of the prevented losses to the national and the Union's budget, the emergence of new fraud schemes, the detection of networks of organised crime groups or the number of arrests made.

The Commission received reports on the implementation of grants that were funded by the Programme budgets of previous years. Though it is challenging to establish a direct relationship between a grant for an equipment purchase, and the results achieved using the equipment, it can nevertheless be concluded that financial support for equipment and technical assistance contributes substantially to a higher number of arrests, seizures and convictions. The seizures made with the help of x-rays scanners, for example, allow for a clear demonstration of this relationship, whereas this relationship is more difficult to demonstrate for support given for the purchase of digital forensics software or devices to monitor vehicles or persons suspected of involvement in illicit activities. The equipment, nevertheless, enables the beneficiaries to improve the overall efficiency and effectiveness of the operations they carry out in support of investigations to protect the Union's financial interests, as shown in the examples below.

Examples of technical assistance grants finalised (*final reports received*) in 2018 include the following:

A grant was used to design and furnish a computer forensics lab in the **Department of Criminal Investigation of the Prosecutor General's Office (DCIAP) of Portugal**. The digital forensics lab has recently been 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.

Improvements to the functioning of the DCIAP include:

- the purchase of additional NUIX licenses;
- technical capacity to copy magnetic media;

<sup>30</sup> Article 5 (c) of Regulation 250/2014.

- train staff in the use of NUIX tools.

At the time of its final report at the end of 2018, the beneficiary reported that the lab had already been used in four ongoing 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.

**The National Anticorruption Directorate of the Romanian National Prosecutor's Office** was awarded a grant to improve the investigative capacity of the National Anticorruption Directorate. The beneficiary purchased several devices for its technical service (audio video recorders, radio transmitters, etc.), computer forensics devices and also obtained specialised training for its staff to use the equipment. This equipment is now being used to enhance Romanian efforts in fighting fraud and corruption detrimental to the financial interests of the EU by consolidating support to the operational and technical units. The beneficiary has reported already having used the equipment in several cases of corruption and of fraud against the financial interests of the EU.

**The Ministry of Finance, Treasury Intelligence Department - Technical and Observation Unit of Poland** received a grant for the purchase of IMSI-Catcher system to help identify communications by criminal groups specializing in cross-border crimes and VAT fraud, detrimental to the EU and domestic budgets. The IMSI-Catcher purchased enables much faster analysis and identification of requested data. Furthermore, its compactness allows it to be readily used during various types of operations in various situations and is very useful for searching small, confined spaces. The equipment has been used in cases involving illicit trade and smuggling of tobacco products.

Technical assistance *implementation reports* submitted during 2018 describe the results obtained after 12 months of using purchased equipment. Thirteen implementation reports were received in 2018. These reports reflect the results of grants awarded under the annual budgets of 2014, 2015 and 2016.

The specialised technical hardware purchased by the **Guardia Civil (DIGEGUCI) (Spain)** in 2016 has improved the skills and technical capacity of Guardia Civil investigators, while enhancing the quality and results of investigations. The estimated damage to EU budget avoided has been estimated to be EUR 103 million, resulting in the arrest or the investigation of more than 200 people.

**The General Inspectorate of Romanian Police (Special Operations Directorate)** reported that the integrated surveillance and intelligence systems purchased have greatly enhanced their investigative capacity and has already been used in 545 operations. Significantly, a reported 25 persons have been detained and nearly 7 million cigarettes seized.

**The State Police of Latvia Central Criminal Police Department Investigation Support Department** reported that the tools purchased in 2016 have improved cross-border cooperation. Using the updated equipment has led to better evidence-gathering, contributing to the discovery of criminal networks involved in financial fraud, counterfeiting, manufacture, transport and smuggling of illicit goods. As a result, the estimated prevented damage has been reported as more than EUR 320 000 in a 12-month period.



## Examples of procured access to external databases

The Commission procured access to external databases for use by Member States' law enforcement authorities. The databases containing trade information, company data or vessel movements provide essential operational information for joint investigations carried out with OLAF. The databases also provide input for risk analyses used by customs authorities to target their controls.

The Member States and OLAF use a commercial database of **worldwide trade statistics** to analyse **trade flows (imports and exports)**, identify potentially suspicious trade and cross-check allegations of customs fraud. The database is an essential part of a risk analysis system and is in regular use by Member State customs services in connection with anti-dumping cases to confirm suspicion of a suspected misdeclaration of the country of origin of goods imported into the EU and circumvention of anti-dumping duties. It is used for comparing declared exports from a non-EU country to declared imports into a Member State to detect irregularities.

This database is also used for identification of possible undervaluation of goods. For example, a Member State customs service mainly uses trade statistics data to estimate reference prices within the frame of a system of reference prices which is widely used to fight undervaluation of textile products. It is also used to estimate average prices of goods imported in Member States used for comparison purposes. The database allows identification of goods imported to a Member State at significantly lower prices than other Member States, indicating possible undervaluation. In addition, the tool is used as a basic element of risk analysis, especially to identify sudden changes in trade flows.

Member States' customs authorities use a database with information on **vessel movements** in supporting risk analysis of commercial vessel traffic. The information contained in the database contributes to combatting fraud affecting the financial interests of the EU, including cigarette smuggling. The database is used in vessel tracking analyses and finding data on vessels in combination with other databases. Furthermore, it is used to check the actual routes of vessels in order to verify the origin of goods, for instance, when fraud is detected in anti-dumping duty evasion in risky and potentially suspicious cases of import transactions. It is also used for checking goods in containers, when the claim in administrative procedures for recognition of export is submitted. This database was used, for instance, in an administrative procedure, when a company requested a repayment of customs duties for a product imported from a third country for which additional customs duties were paid, on the basis that the export from that country was made before the introduction of these duties. A check on the database showed that the vessel had not left the third country port before the date of introduction of customs duties and the claim for refund for a significant amount was rejected.

A database with **information on companies** is also a very useful tool to support investigations led by Member States' customs authorities related to fraud affecting the financial interests of the EU, for instance, dumping fraud. For example, a Member State customs service has investigated infringements of EU anti-dumping measures on imports of solar panels from a third country. In 2018, the searches carried out in the database in two cases led to the detection of a network of companies which 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.

Examples of operational results obtained from the use of the AMT tool, the data analysis project and the tobacco analyses laboratory (developed with the JRC).

The **Automated Monitoring Tool (AMT)** is used as part of a set of risk analysis tools by the Member States' customs authorities to identify cases of potential fraud, such as undervaluation (tax evasion), which affect the national and EU budgets. It provides objective statistical values for imports of goods, also known as cleaned average prices, providing reference EU prices for the determination of the customs value of imported goods. Customs authorities use these AMT values, for example, when they have doubts concerning the declared customs value of goods or to challenge understated values declared by importers. The scale of undervaluation has decreased in those Member States using the AMT, thereby reducing the level of losses to the EU and Member States' budgets in customs duties and taxes. The AMT tool receives more than 15 000 data requests per year from more than 120 customs officers. Below are direct results of the use of the tool in support of operations, for example:

A joint customs operation was conducted by nine Member States' customs authorities and OLAF targeting criminal networks importing textiles and footwear from a third country into one Member State. The operation found that out of more than 1 000 trucks controlled 277 participated in fraud circuits, five criminal networks were identified and several shell companies were closed in several countries, several dozens of investigations were opened in several countries based on the information gathered until December 2017 and enhanced with other data in the following months. The operation determined that the value of imported goods from this third country was significantly understated, leading to substantial losses to the EU and Member States' budgets in customs duties and taxes. During the operation, large quantities of counterfeit products were also seized. This also revealed that these large-scale frauds were the result of very organized circuits on European scale, extremely reactive and having an excellent knowledge of the faults of controls, logistic circuits, false invoice systems and clandestine financial flows.

Some Member States customs are assessing the benefit of integrating the AMT tool in their audit plans. For example, a Member State customs service uses the AMT tool for the calculation of a minimum trustful value for imports of goods and the related potential customs duty gap. The case selection for the customs audit plan is done either by selecting companies with a potential duty gap, or using internal methods based on predictive models for undervaluation combined with other information about the results of different types of audits and controls, such as suspicious companies involved in the import. Another Member State customs service uses the AMT tool in a methodology that aims to identify, analyse and control customs declarations with statistical anomalies in terms of values declared for imported goods. The customs service uses the AMT tool firstly to analyse and select the most suspicious imports of goods for controls and then to create risk profiles with high level of efficiency in identifying cases of undervaluation. The statistical values collected from AMT and other internal methods are then combined with results of controls. Each type of good is analysed with specific risk thresholds, which are updated with reliable results of controls.

As an indirect result of the operations, the AMT tool has generated a new scientific approach to the fraud detection which highlights the continuing value of the tool and is an example of a long term effect of using this tool on a constant basis. This has led to cutting edge research into new statistical tools that rely on the application of the Newcomb-Benford law which uses the observation of the distribution of the first digits of numbers in large databases with customs declarations to tackle fraud in international trade<sup>31</sup>.

---

<sup>31</sup> An article on the application of Benford's law and the detection of fraud in international trade was published by the JRC in the Proceedings of the National Academy of Sciences (PNAS - USA) on 2 January 2019 and a reference to EU funding under the Hercule budget is made at the end of the text. <https://www.pnas.org/content/pnas/116/1/106.full.pdf>

By establishing a community of practice and bringing together Member States experts in the field of **customs anti-fraud data analysis, the INTEL4CUSTAF project** facilitated transnational cooperation and collaboration, promoting the sharing of good practices and experience among Member States to tackle customs fraud.

In 2018, OLAF, working closely with the JRC, implemented a series of actions to understand the data and the analytical approaches already being used by Member States and the Commission, as well as the needs and limitations of Member States. These actions included a survey to identify existing practices and issues; the study of data sources; organisation of two workshops; five targeted visits to Member States customs; numerous presentations and two prototype systems providing information to customs domain experts: i) the on-line data catalogue and ii) a new 24/7 search of media to identify reports related to illicit tobacco (utilising an existing tool). Based on the positive feedback from the community of Member State experts, these actions are having a positive impact in strengthening the know-how and collaboration among Member State customs experts and also with the Commission. Through these actions, OLAF and the JRC have also provided technical support to customs authorities in various Member States, thus helping to strengthen their capacity to combat fraud. These actions generated concrete proposals for further collaboration and research into new tools and methods for anti-fraud data analysis. The results of the project contribute to a more homogeneous EU capacity to detect customs fraud, and, overall, to the protection of the financial interests of the EU.

**The laboratory for testing tobacco** at the JRC-Geel facility became operational in April 2016 and is being used by Member States' customs services and OLAF investigators. The JRC carries out analyses on samples of seized cigarettes and tobacco to identify the geographical origin of tobacco, link seizures from a common source and compare the chemical composition of seized tobacco products against reference samples to determine whether they are genuine, counterfeit or cheap whites. The JRC maintains and updates a database with information on the chemical composition and origin of seized smuggled and counterfeit tobacco products. In 2018, 103 analyses of tobacco and tobacco products were carried out at JRC. The information obtained from the analyses allowed tobacco investigators to share information, establish links between tobacco products seized within the EU and draw useful conclusions from on-going investigations carried out in Member States.

### **3.4 To limit the currently known exposure of the financial interests of the Union to fraud, corruption and other illegal activities with a view to reducing the development of an illegal economy in key risk areas such as organised fraud, including cigarette smuggling and counterfeiting<sup>32</sup>**

Several actions contributed to achieving this objective in 2018. The widespread availability of illicit tobacco within the EU has led to the loss of considerable tax and duty revenues (losses to the EU and Member States' budgets as a result of cigarette smuggling are estimated to be at least EUR 10 billion per year<sup>33</sup>). One feature of the illicit market for cigarettes in the EU is the significant quantity of counterfeit products available at a lower cost than the genuine products.

<sup>32</sup> Article 5(d) of Regulation 250/2014.

<sup>33</sup> COM(2013)324 final of 6 June 2013: Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products – A comprehensive EU strategy.

The **Observatory on criminal activities in agriculture and in the agri-food sector (IT)** organised a two-day conference in January 2018 in Rome.

The conference was attended by 109 participants from Montenegro and 14 Member States. The participants were representatives of law enforcement agencies, ministries, legal practitioners, local and regional authorities, customs, revenues agencies, tobacco companies and a national agency for the protection of consumers.

The action contributed to:

- increasing awareness of the tobacco sector about the prevention and the fight against fraud;
- collecting input for developing and improving a track and tracing system;
- collecting and linking information on different ways of transposing the Directive 2014/40/EU concerning the manufacture, presentation and sale of tobacco and related products, as regards of developing a track and tracing system, in order to identify strengths and weaknesses;
- discussing the development of possible solutions and proposals for implementing tracking and tracing systems and security features at the European level.

The **23<sup>rd</sup> Task Group Cigarettes Conference** organised by OLAF gathered 88 participants from Member States, candidate and third countries in Pravets (Bulgaria) in September 2018. Its main objectives were to:

- illustrate best practices and results obtained by OLAF in the fight against smuggling and any other tobacco-related offence, as a result of its investigative and coordination function in the specific sector;
- provide Member States with an updated situation of the cigarette smuggling phenomenon in the EU;
- exchange information about recent developments, strategies and trends in the area of cigarettes smuggling, along with discussing enforcement measures in order to improve effectiveness and cooperation in this field;
- deepen, through specific group work, the most salient investigative issues in the field of the fight against illicit trafficking and production in cigarettes and tobacco.

The conference contributed to the protection of the EU's financial interests by:

- enhancing transnational cooperation;
- facilitating the exchange of information, experiences and best practices;
- providing technical and operational support to national investigation, in particular customs and law enforcement authorities;
- reducing the development of an illegal economy in the area of cigarette smuggling and counterfeiting.

### **3.5 To enhance the degree of development of the specific legal and judicial protection of the financial interests of the Union against fraud by promoting comparative law analysis<sup>34</sup>**

This operational objective is mainly achieved through the legal training grants awarded for comparative law studies, legal conferences, seminars and scientific periodical publications.

---

<sup>34</sup> Article 5(e) of Regulation 250/2014.

**The University of Luxembourg** conducted a comparative law study on the "Liability of Company Directors in a Comparative EU Criminal Justice Context", aimed at analysing and systemising the aspect of punitive liability of heads of business in the selected Member States (FI, FR, DE, NL and PL).

The study's outcome highlighted the existence of rather different approaches that may lead to significant disparities from one Member State to another and to a potential "deterrence gap". Recommendations were developed taking into account three possible policy options, each one of them entailing different legislative ambitions and a different potential impact on the national systems.

The report together with the policy recommendations have been largely disseminated as well as uploaded on the University's online repository.

The Programme continued funding the publication of "**eucriim – The European Criminal Law Associations' Forum**", which was published in four issues during 2018 by the German Max Planck Institute in Germany. The periodical addressed current developments in the European criminal law, such as fundamental rights, the implementation of the European Public Prosecutor Office, the protection of whistleblowers or the exchange of information and data protection. Each issue was printed in 2000 copies and distributed to universities, libraries, courts, law enforcement authorities and individual subscribers. The articles were also published on the internet<sup>35</sup>.

**The Expert Forum** (Romania) conducted a research on "Money and politics – linking EU funds to political parties". The project generated a report (published in RO and EN) analysing the connection between the political parties and the illegal use of public funds through public procurement in Romania and Croatia as well as a list of red flags related to public procurement.

The results were disseminated through an international conference and a public campaign addressed to experts, stakeholders, the general public in Romania and countries from the region.

## 4. Communication

The successful implementation of the programme required a structured way to inform potential beneficiaries on funding opportunities. The Commission also disseminates information on the achievements and the results of the actions that received funding.<sup>36</sup>

### 4.1 Informing potential applicants

The full texts of the Calls' documents were made available on the Commission's Funding & Tenders portal and an announcement of the Calls was posted on the Commission's website<sup>37</sup>. Professional networks were actively informed. Potential applicants were also informed via emails sent to the members of the Advisory Committee for the Coordination of Fraud Prevention (COCOLAF), the OLAF Anti-Fraud Communicators Network (OAFCN) and the European Judicial Training Network (EJTN).

<sup>35</sup> <https://eucriim.mpicc.de/>

<sup>36</sup> Article 13(1) of Regulation 250/2015: *The Commission shall on an on-going basis disseminate, including on relevant websites, the results of the activities supported under the Programme to increase transparency on the use of the funds*".

<sup>37</sup> [http://ec.europa.eu/anti-fraud/policy/hercule\\_en](http://ec.europa.eu/anti-fraud/policy/hercule_en)

## **4.2 Dissemination of results**

The dissemination on training activities was made through the distribution of electronic and/or paper reports summarising the event. Some beneficiaries posted the projects' outputs on their websites or created dedicated websites in order to disseminate results and conclusions. The dissemination of the results of actions related to technical assistance is not always possible since most of the achievements relate to investigations for which information often cannot be disclosed.

## **4.3 Visibility of EU funding**

Under the training type of actions, all beneficiaries of grants were requested to mention the support from the Hercule III programme:

- In every publication (title page) or related material developed (e.g. studies, booklets, newsletters, leaflets);
- In electronic information (e.g. websites, audio-visual material, videos, software);
- At information events (conferences, seminars);
- By inserting a link from their website to the Hercule III programme's site.

Beneficiaries of technical assistance grants were requested to mention the Hercule support in their reports and any other document or press release that reported on the results: press releases issued following seizures of counterfeited or smuggled cigarettes made with Hercule funded equipment, for example, should refer to the Union's funding.

## **5. Feedback from participants of the programme**

As indicated in section 3.1, beneficiaries of grants for trainings, conferences and seminars carry out surveys among the participants to collect information on the perceived quality and relevance of the event. A total number of 1 338 participants attended Hercule training events in 2018. The Commission received 1 038 completed questionnaires (78% response rate), most of which indicated a high level of satisfaction. Nearly 95% of the participants considered the event 'good' or 'excellent'. Written feedback confirmed the target audience, the event's relevance for the participants' professional activities, the quality of the organisation, the speakers, venue and other relevant aspects.

## **6. Conclusions and way forward**

The Hercule III programme continues to be an important and effective tool in the protection of the financial interests of the Union. The results outlined above demonstrate that the actions undertaken with support from the programme contributed to the prevention and fight against fraud, corruption and other illegal activities affecting the financial interests of the Union.

The relevance of the Programme's aims and objectives is supported by the findings of the mid-term evaluation carried out in 2017. The evaluation demonstrated that the Programme, in its current form and stage of implementation, has largely fulfilled its mission. The stakeholders reported that the Programme has been efficiently implemented while effectively addressing the Member States' needs.

The introduction of the electronic submission and processing of grant applications is an important development which has considerably shortened the time for notifying applicants about the outcome of the evaluation procedure. As its full implementation continues, this electronic system is expected to further reduce the administrative burden for applicants, grant beneficiaries and the Commission.

The Hercule III programme will come to an end on 31 December 2020. Acknowledging its contribution, the Commission adopted on 30 May 2018 a proposal for a new EU Anti-Fraud Programme<sup>38</sup> under the financial framework 2021-2027. The proposal combines two types of spending activities: a classic spending

---

<sup>38</sup> COM(2018) 386 final of 30 May 2018.

programme following up on the Hercule III programme and the financing of two operational activities which are tasked to the Commission by secondary legislation (the Anti-Fraud Information System (AFIS) which supports, essentially, operational activities in the area of mutual administrative assistance between Member States' customs authorities, and the Irregularity Management System (IMS), an IT established for the reporting by Member States of fraudulent and non-fraudulent irregularities to the EU budget in shared management and pre-accession funds). This combination will permit the creation of synergies and allow for flexibility between the three components of the new programme as well as with other relevant programmes.

**Annex 1: Grants and contracts awarded and finalised under the 2018 Financing Decision**

Table 1 – **TECHNICAL ASSISTANCE** grants **AWARDED** under the 2018 Financing Decision

	MS	Beneficiary	Title and description	Awarded grant (EUR)	Co-fin %
1	PL	Izba Administracji Skarbowej w Rzeszowie	Hand-held X-ray scan - purchase of hand-held X-ray scanner detectors	237 251	80
2	LT	Finansiniu Nusikaltimu Tyrimo Tarnyba Prie Vidaus Reikalu Ministerijos	FNTT TA – purchase of digital investigation tools	103 570	80
3	MT	Department of Customs	Herculepara2018 – purchase of x-ray vans	207 000	90
4	BG	National Revenue Agency	BG-NRA-ITF-2018 – purchase of digital forensic tools	117 945	80
5	PL	Revenue Administration Regional Office in Lublin	PURCHASE-SCANNERS	229 783	80
6	ES	Ministerio del Interior	GRADIUNTUR – purchase of surveillance equipment	1 010 914	80
7	LV	Valsts Ienemumu Dienests	SCCS - purchase of surveillance equipment	270 000	80
8	PL	Komenda Wojewodzka Policji W Lublinie	Operational control – purchase of a vehicle and ANPRS system	98 274	80
9	SK	Financial Directorate of the Slovak Republic	SK ANPRS - purchase of a vehicle and ANPRS system	660 000	80
10	RO	Directia Nationala Anticoruptie	TADNA – purchase of IT forensic equipment	370 924	80
11	BG	Agencija Mitnici	FAST DETECTION – purchase of detection tools	381 312	80



12	PL	Komenda Główna Policji	CIIB-LargeVolDatAn – purchase of IT data analysis tools	355 680	90
13	RO	Inspectoratul General al Politiei Romane	CARGOSCAN 2018 – purchase of technical scanning equipment	1 243 200	80
14	EL	Ministry of Interior / European & Development Programmes Agency	HE.F.E.ST.O.S. – purchase of detection equipment	461 760	80
15	SI	Ministrstvo za finance, Financna uprava Republike Slovenije	X-ray FURS – purchase of a cargo scanner	1 656 020	80
16	EL	Ministry of Interior / European & Development Programmes Agency	EX.E.C.U.T.I.V.E. – purchase of IT forensic tools	272 909	80
17	MT	Malta Police Force	ANPRS-4-MPF – purchase of ANPRS systems	115 763	90
18	LT	Lietuvos Respublikos Specjaliuju Tyrimu Tarnyba	ACIPC – purchase of data analysis tools	365 612	80
19	MT	Malta Police Force	12 MPF 2018 – purchase of data analysis tools	859 845	90
20	HR	Ministarstvo Financijska Carinska Uprava	X-RAY FOR EASTERN EU – purchase of a cargo scan	1 370 000	68.5
<b>TOTAL</b>				<b>10 387 762</b>	<b>81.4</b>

Table 2 – **TECHNICAL ASSISTANCE** grants **FINALISED** in 2018

MS	Beneficiary	Title	Amount paid (EUR)	Amount paid as % to initial commitment <sup>39</sup>
----	-------------	-------	-------------------	--

<sup>39</sup> Final payment as percentage of the awarded grant. A percentage lower than 100% means that the action was not fully implemented or that the beneficiary managed to achieve cost savings.

1	GR	General Directorate of Customs and Excise Division of Strategy of Customs Controls and Offences	Purchase of Services to destroy seized tobacco products	71 866	40
2	LT	Customs Department under the Ministry of Finance of the Republic of Lithuania	X-SAFT: purchase of advanced x-ray scanner	352 173	64
3	LT	Customs Criminal Service - CCS	Improvement of Customs investigations through deployment of IT forensic equipment	288 110	100
4	EE	Estonian Tax and Customs	The purchase of a portable X-Ray	100 198	100
5	RO	Anti-Corruption General Directorate	Increasing efficiency of the Ministry of Internal Affairs action system in investigating and combating corruption phenomenon	124 807	90
6	PL	Border Guard Maritime Division	Purchase of Mobile X-Ray scanners to guarantee the effectiveness of checks for illegal excise goods	113 465	97
7	PT	General Prosecutor of the Republic of Portugal	Purchase of IT equipment to furnish a forensic computer analysis lab	418 326	76
8	ES	AEAT-Customs	Two distributed remote video surveillance vehicles	212 320	56
9	PL	National Police Headquarters	Increase of the investigation possibilities of the Polish Police	458 907	84
10	PL	Ministry of Finance, Treasury Intelligence Department - Technical and Observation Unit	Purchase of operational technical equipment	273 670	96
11	RO	National Anticorruption Directorate DNA	Support for consolidating of the investigative capacity of the National Anticorruption Directorate	816 064	94
12	LT	Special Investigation Service of the Republic of Lithuania	Purchase of specialised operational technical equipment	228 416	89
13	ES	Guardia Civil	Project Viriato – operational	509 728	83

			equipment		
14	EE	Estonian Police and Border Guard Board	Creation of criminal intelligence analysis platform	153 610	80
15	HR	Croatian Customs The Republic of Croatia, Ministry of Finance, Customs Administration - Sector for Control	Purchase of a mobile x-ray scanner	967 677	81
16	BG	Bulgarian Border Police Ministry of Interior - CDBP	Enhancing the capacity of CDBP for effective detection of smuggled and counterfeited goods imported into EU with the aim or consequence to evade custom duties and excises	253 437	73
17	SL	Financial Directorate of the Slovak Republic	Streamlining and intensification of processes within the operational detection and prevention - control activities of Slovak Financial Administration in combating customs and tax fraud	236 856	72
18	MT	Malta Customs Department	Investment in combating fraud and contraband of illicit goods, particularly cigarettes and tobacco	218 947	66
19	HU	National Tax and Customs Administration of Hungary	Technical capacity development of the NTCA in the fight against cigarette smuggling	308 548	43
<b>TOTAL</b>				<b>6 107 125</b>	

Table 3 – **DATABASES** that were **CONTRACTED** under the Hercule III budget in 2018

	Name	Content	Commitment in Euro
1	IHS Maritime Portal	Information on ship movements	227 554
2	GTA	Trade statistics data	206 060
3	ORBIS	Basic company information and financial details of companies all over the world	217 000
<b>Total committed under the 2018 budget</b>			<b>650 614</b>

Table 4 – **ANTI-FRAUD TRAINING & CONFERENCES** grants **AWARDED** under the 2018 Financing Decision

	MS	Beneficiary	Title	Awarded grant (EUR)	Co-fin %
1	LV	Valsts Ienemumu Dienests	Advanced X-ray image interpretation training	50 842	80
2	SK	Financial Directorate of the Slovak Republic	Training focused on X-ray scanner image interpretation and customs control process	53 542	80
3	PL	Komenda Wojewodzka Policji W Lublinie	Methodology of detecting and investigating crimes detrimental to the financial interests of the European Union	76 074	80
4	BG	National Revenue Agency	Enhancing the cooperation and the control models in the field of prevention of fraud, related to customs regimes 4200 and 4000, affecting the EU system of own resources	66 690	80
5	LT	Lietuvos Kriminalistiniu Policijos Tyrimu Centras	"Improving Baltic States and Croatia Police Computer Forensics Specialists' Skills in IT Investigations by	67 186	80
6	RO	Directia Nationala Anticoruptie	Organizing Training of UNIX-based Operating Systems Forensics and Scripting"	73 610	80
7	RO	„Mihai Bravu" Dolj County Inspectorate of Gendarmerie	Trends in investigating frauds and corruption affecting the financial interests of the European Union	48 072	80

8	IT	Regione Abruzzo <sup>40</sup>	Good practices in the fight against the illicit trade of cigarettes which help protect the financial interests of the European Union	100 220	80
<b>TOTAL</b>				<b>536 236</b>	<b>80</b>

Table 5 – **Anti-Fraud procured conferences** organised by the Commission under the 2018 Financing Decision

	Dates	Conference title	Location	N° of participants	Amount paid EUR
1	10 – 13 Sept 2018	23rd Task Group Cigarettes Conference	Sofia	88	92 121
2	5 - 8 March 2019	JCO ASEM Conference – briefing meeting and training <sup>41</sup>	Ho Chi Minh City	80	250 974
3	25 Oct 2018	Expert workshop on the transposition of the PIF directive <sup>42</sup>	Brussels	36	28 000
4	20-22 June 2018	AFCOS Seminar 2018	Sarajevo	73	51 835
5	27 June 2018	Project Group on implementation of FCTC Protocol	Brussels	29	16 721
6	31 Jan 2019	Project Group on implementation N° 2 of FCTC Protocol <sup>43</sup>	Brussels	30	44 664
<b>TOTAL</b>				<b>336</b>	<b>484 315</b>

Table 6 – **ANTI-FRAUD TRAINING & CONFERENCES** grants **FINALISED** in 2018

MS	Beneficiary	Title	Amount paid (EUR)	Amount paid as % to initial commitment <sup>44</sup>
----	-------------	-------	-------------------	--

<sup>40</sup> The amount of EUR 36 236.40 is financed by the budget appropriation corresponding to the Hercule budget 2019 for "Training, Conference and Staff Exchange".

<sup>41</sup> The event had not yet taken place on the preparation date of this document

<sup>42</sup> The final payment was not made yet on the preparation date of this document

<sup>43</sup> The final payment was not made yet on the preparation date of this document

<sup>44</sup> Final payment as percentage of the awarded grant. A percentage lower than 100% means that the action was not fully implemented or that the beneficiary managed to achieve considerable cost savings.

1	PL	Komenda Wojewódzka Policji w Olsztynie	Protecting the European Union's financial interests through cooperation between services, and acquisition and exchange of skills in combating tobacco crimes and crimes to the detriment of the European Union	46 172	51
2	RO	Anticorruption General Directorate (DGA)	Improving the cross-border cooperation for preventing and combating fraud, corruption and other illegal activities in South Eastern Europe	28 012	49
3	LT	Lithuanian Police Forensic Science Centre	Improving Baltic States Police Computer Forensics Specialists' Skills in IT Investigations by Organizing Training of Specialized IT Forensics Software	40 791	87
4	CZ	Transparency International CZ	Conflict of Interests as a Risk of Fraud	30 206	75
5	IT	University of Perugia – Department of Political Sciences	Fighting corruption through administrative measures. Supporting development of new anti-corruption policies.	89 107	61
6	PL	Szkoła Policji w Katowicach	Protection of the financial interests of the EU – common obligations and challenges	44 662	60
7	RO	Călărași County Police Inspectorate	Transnational cooperation between law enforcement authorities for strengthening the activity of preventing and fighting against fraud with EU funds in the agricultural field	82 501	85
8	PL	Regional Police Headquarters in Lublin	Enhancing the effectiveness of fighting corruption crimes detrimental to the European Union's financial interests	22 882	52
9	SK	Financial Directorate of the Slovak Republic	Seminar focused on customs controls and risk analysis of vehicles on the border with Ukraine in the fight against customs fraud targeting the smuggling and counterfeiting of tobacco products	22 118	54
10	IT	Osservatorio sulla criminalità nell'agricoltura e sul sistema agroalimentare	Tobacco road	23 630	49

11	LV	Ministry of Finance of the Republic of Latvia	Strengthening the capacity for the institutions involved in the AFCOS network to set up and identify the strategic and control tools for the fight against fraud and corruption.	41 079	77
<b>TOTAL</b>				<b>471 160</b>	

Table 7 – **LEGAL TRAINING & STUDIES** grants **AWARDED** under the 2018 Financing Decision

	MS	Beneficiary	Title	Awarded Grant (EUR)	Co-fin %
1	DE	European Law Academy	Towards a more proactive, intelligence-led approach to detecting and preventing fraud affecting the financial interests of the EU	45 385	80
2	DE	Max Planck Institute for Foreign and International Criminal Law	EUCRIM: The European Criminal Law Associations' Forum - publication of a periodical on the protection of the EU's financial interests	78 302	80
3	IT	Alma Mater Studiorum Universita Di Bologna	Digital forensic Evidence: towards Common European Standards in antifraud administrative and criminal investigations.	68 670	80
4	HR	HUKZP - Hrvatsko udruzenje za kaznene znanosti i praksu	Integration of the EPPO in the national criminal justice systems: institutional, procedural and cooperative challenges	122 724	90
5	DE	Justus-Liebig-Universitaet Giessen	EU anti-fraud laws. A commentary. Article by article.	98 866	80
<b>TOTAL</b>				<b>413 947</b>	<b>83</b>

Table 8 – **LEGAL TRAINING & STUDIES** grants **FINALISED** in 2018

	MS	Beneficiary	Title	Amount paid (EUR)	Amount paid as % to initial commitment <sup>45</sup>
1	NL	Utrecht University	Exchange of information with EU and national enforcement authorities - Improving OLAF legislative framework through a comparison with other EU authorities	64 632	85
2	CZ	Transparency International Czech Republic	Transparency of corporate ownership structures of public money recipients, including their tax transparency	45 616	99
3	LU	University of Luxembourg	Comparative Study: Liability of Company Directors in a Comparative EU Criminal Justice Context	39 373	79
4	BG	Program for the Development of the Judicial System Association	Liability of Legal Persons for Abuse of EU Funds: Comparing Bulgaria's New Legislation with EU Member States' Law and Practice	24 719	78
5	ES	Antifraud Office of Catalonia	Management of conflicts of interest for the prevention of fraud and corruption in the European Union	16 350	51
6	RO	Transparency International Romania	The preventive role of judiciary in protecting the financial interest of the European Union: a comparative analysis for improved performance	41 074	84
7	DE	Max Planck Institute for Foreign and International Criminal Law	eucrim: The European Criminal Law Associations' Forum	59 679	84
8	PL	European Law Research Association	The Cost of Non-Europe	28 709	63
9	RO	Expert Forum Association	Money and politics – linking EU funds to political parties	47 939	86
10	DE	Academy of European Law	Conference on combating corruption in the EU	19 130	53

<sup>45</sup> Final payment as percentage of the awarded grant. A percentage lower than 100% means that the action was not fully implemented or that the beneficiary managed to achieve cost savings.



**TOTAL****387 221**Table 9 – **TECHNICAL ASSISTANCE** – overview per country of awarded grants and rejected applications in 2018

	MS	Number of applications received	Number of awarded grants	Grants requested (EUR)	Grants awarded (EUR)
1	AT	-	-	-	-
2	BE	-	-	-	-
3	BG	2	2	624 070	499 256
4	CY	-	-	-	-
5	CZ	-	-	-	-
6	DE	1	0	-	-
7	DK	-	-	-	-
8	EE	-	-	-	-
9	EL	5	2	918 337	734 669
10	ES	1	1	1 263 643	1 010 914
11	FI	-	-	-	-
12	FR	1	0	-	-
13	HR	2	1	1 800 000	1 370 000
14	HU	-	-	-	-
15	IE	-	-	-	-
16	IT	3	0	-	-
17	LT	2	2	586 478	469 182
18	LU	-	-	-	-
19	LV	2	1	337 500	270 000
20	MT	3	3	1 314 008	1 182 608
21	NL	2	0	-	-

22	PL	13	4	1 168 121	920 988
23	PT	-	-	-	-
24	RO	3	2	2 017 655	1 614 124
25	SE	-	-	-	-
26	SI	1	1	2 070 026	1 656 020
27	SK	1	1	825 000	660 000
28	UK	-	-	-	-
<b>TOTAL</b>		<b>42</b>	<b>20</b>	<b>12 924 838</b>	<b>10 387 762</b>

Table 10 – **ANTI-FRAUD TRAINING & CONFERENCES** overview per country of awarded grants and rejected applications in 2018

	MS	Number of applications received	Number of awarded grants	Grants requested (EUR)	Grants awarded (EUR)
1	BE	-	-	-	-
2	BG	2	1	189 362	66 690
3	CZ	1	0	57 182	-
4	DK	-	-	-	-
5	DE	1	0	0	-
6	EE	-	-	-	-
7	IE	-	-	-	-
8	EL	-	-	-	-
9	ES	2	0	146 136	-
10	FR	-	-	-	-
11	HR	-	-	-	-
12	IT	3	1	260 570	100 220
13	CY	1	0	77 489	-

14	LV	1	1	50 842	50 842
15	LT	1	1	67 187	67 186
16	LU	-	-	-	-
17	HU	-	-	-	-
18	MT	-	-	-	-
19	NL	-	-	-	-
20	AT	-	-	-	-
21	PL	1	1	76 074	76 074
22	PT	-	-	-	-
23	RO	3	2	158 784	121 682
24	SI	-	-	-	-
25	SK	1	1	55 999	53 542
26	FI	-	-	-	-
27	SE	-	-	-	-
28	UK	-	-	-	-
<b>TOTAL</b>		<b>17</b>	<b>8</b>	<b>1 139 625</b>	<b>536 236</b>

Table 11 – **LEGAL TRAINING & STUDIES** – overview per country of awarded grants and rejected applications in 2018

	MS	Number of applications received	Number of awarded grants	Grants requested (EUR)	Grants awarded (EUR)
1	BE	-	-	-	-
2	BG	-	-	-	-
3	CZ	-	-	-	-
4	DK	-	-	-	-
5	DE	3	3	222 554	222 554

6	EE	-	-	-	-
7	IE	-	-	-	-
8	EL	-	-	-	-
9	ES	1	0	93 675	-
10	FR	-	-	-	-
11	HR	1	1	122 724	122 724
12	IT	4	1	342 921	68 670
13	CY	1	0	81 202	-
14	LV	-	-	-	-
15	LT	-	-	-	-
16	LU	-	-	-	-
17	HU	1	0	59 911	-
18	MT	-	-	-	-
19	NL	-	-	-	-
20	AT	-	-	-	-
21	PL	-	-	-	-
22	PT	-	-	-	-
23	RO	1	0	65 527	-
24	SI	-	-	-	-
25	SK	1	0	235 135	-
26	FI	-	-	-	-
27	SE	-	-	-	-
28	UK	-	-	-	-
<b>TOTAL</b>		<b>13</b>	<b>5</b>	<b>1 223 649</b>	<b>413 948</b>