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Delegations will find attached document COM(2018) 3 final.

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

**Mid-Term evaluation of the 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**

{SWD(2018) 3 final}

## 1. Introduction

The European Commission is currently conducting a reflection about the type of budget that is needed for the Europe of the future<sup>1</sup>. An efficient and proper spending of the Union budget, including in the Member States, is a key element in building trust of the EU citizens and to boost the strength and added value of the European project. The Hercule programme fits that agenda as it is specifically dedicated to protecting the financial interests of the EU.

The current Hercule III programme, which is administered by the European Anti-Fraud Office (OLAF) within the Commission, was established by Regulation 250/2014<sup>2</sup> ('the Regulation'). 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 taxpayers' money*'<sup>3</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>4</sup>.

The Regulation requires that the Commission carries out a mid-term evaluation of the programme (Article 13, paragraph 2(a)). The Commission services prepared a Staff Working Document (SWD) on the mid-term evaluation of the Hercule III programme that contains the evaluation's detailed findings. As the Regulation requires an independent assessment, the SWD was supported by a study carried out by an external contractor. The evaluation's detailed findings and the methodology employed are described in the SWD.

In the light of the requirements of Article 13 of the Regulation and the Commission's Better Regulation Agenda, the evaluation assesses six areas – relevance of all the objectives of the programme; internal and external coherence of the programme with other EU interventions; effectiveness in attaining its objectives and expected results; the efficiency of the use of resources; the programme's EU added value; and sustainability, i.e. the effects of Hercule III actions after their completion. The evaluation also touches upon the programme's contribution to the Union's priorities of smart, sustainable and inclusive growth.

The time period covered by the evaluation is the first half of the seven year period that Hercule III programme lasts for, starting on 1 January 2014 (when the Regulation entered into force) until June 2017.

## 2. Key elements of the Hercule III programme

The Hercule III budgetary envelope amounts to EUR 104.9 million over the period 2014-2020. The eligible beneficiaries<sup>5</sup> of the programme are national or regional administrations of

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<sup>1</sup> European Commission, Reflection Paper on the Future of EU Finances, COM(2017) 358 of 28 June 2017.

<sup>2</sup> 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, OJ L 84 of 20 March 2014.

<sup>3</sup> Article 3 of Regulation (EU) No 250/2014.

<sup>4</sup> Article 4 of Regulation (EU) No 250/2014.

<sup>5</sup> Article 6 of Regulation (EU) No 250/2014.

Member States and research bodies, as well as educational institutes and non-profit-making entities.

The programme is implemented on the basis of annual cycles according to work programmes which are adopted by the Commission. Hercule III provides financial support for (i) technical assistance (at least 70% of the programme's budget) for actions such as the purchase of technical equipment and information technology tools, the promotion of cross-border cooperation and support of joint operations, staff exchanges, and the development and provision of access to databases for Member States and OLAF, (ii) training (maximum 25% of the programme's budget) for actions such as conferences and seminars to ensure cross-border exchange of experience and best practices, digital forensics training, and the development of high-profile research activities and studies, and (iii) any other action that falls within the programmes' remit (not more than 5% of the budget). The programme provides financial support in the form of grants, public procurement contracts and reimbursement of the costs incurred by the participants to the activities.

### **3. Mid-term evaluation methodology**

To perform the mid-term evaluation, the Commission services relied primarily on the external contractor's study, as well as the impact assessment carried out at the time of the legislative proposal for the programme, the Commission's evaluation of the previous Hercule programme, the annual work programmes of Hercule III, and the annual overviews on the implementation of the programme that are prepared by the Commission and annexed to the Commission annual report on the protection of the Union's financial interests<sup>6</sup>.

The work on the mid-term evaluation started in June 2016. An Inter-Service Steering Group (ISSG) of Commission services was set up to support the evaluation process. It reviewed the roadmap, the terms of reference for the external contract, the inception and the end-of fieldwork reports. The ISSG was also closely involved in the preparation of the SWD.

The scope of the mid-term evaluation covers the interventions supported under the Hercule III programme as well as the preparatory and implementing activities undertaken by the stakeholders for these interventions. It also covers those applications for grants submitted by potential beneficiaries, which remained unsuccessful.

The external study relied upon primary data sources to reply to the evaluation questions collected via (i) interviews of EU and national civil servants, as well as of beneficiaries of actions funded under the programme and (ii) online surveys with beneficiaries, unsuccessful applicants, participants in events funded under the programme, as well as users of services procured under the programme. Secondary data were also used, such as publicly available sources (e.g., the Hercule III annual work programmes) and submitted applications for grants and awarded contracts and grants as well as final reports submitted by beneficiaries.

The timing for the external study entailed some limitations mainly related to the normal life-cycle of the programme. This was reflected in the instruments that could be used by the external evaluator who had to rely to a large extent on the opinions expressed by beneficiaries, applicants, participants, and Commission staff. This is because by the time the

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<sup>6</sup> Protection of the European Union's financial interests — Fight against fraud, 2016 Annual Report, COM(2017)383 final.

data collection and the interviews were carried out, that is mostly in 2017, relatively few results were available<sup>7</sup>. This limitation was particularly felt for Technical Assistance actions. However, because the interviewees arguably account for a large sample of the programme's stakeholders, the external study's results are deemed robust enough.

#### 4. Main findings of the mid-term evaluation

The drivers behind the Commission's proposal for the Hercule III programme are still prevalent today, in particular the occurrence of fraud to the EU financial interests. Against that background, the external study demonstrated that the specific and operational objectives of, and activities under, the programme continue to be **relevant**. The supported technical assistance and training actions are considered to be relevant by the interviewed beneficiaries. A few specific actions, such as the purchase of services to store and destroy seized cigarettes and other counterfeit goods, or the funding of scientific publications were found to be less relevant to fulfilling their missions in relation to the protection of the EU's financial interests. This finding is largely explained by the fact that these actions target a narrow group of possible participants and, consequently, the bulk of the participants do not see their relevance.

Some beneficiaries suggested a few ideas of possible additional operational objectives which would improve the relevance of the programme, in particular in the areas of cross-border cooperation between Member States, cooperation with non EU partners, as well as new technological developments. To what extent these ideas are shared by the other stakeholders was not tested within the external study. Their value is therefore limited. However, they are coherent with the Commission's experience in implementing the programme and the direction towards which the Commission has started steering the programme over the last few years.

The evaluation showed that the **internal and external coherence** of the programme was ensured. The external study found that internal coherence is primarily ensured by the allocation of the budget for the period 2014-2020 between the different categories of actions. Additionally the Commission, at the selection stage, examines the applications with a view to also prevent possible overlaps and repetitions. External coherence with other Commission spending programmes is ensured by the Commission's internal consultation mechanisms, in particular at the stages of elaboration of the annual work programme and of selection of applications for grants, and in consideration of, primarily, the objectives, types of activities, participants and beneficiaries as defined in the legal acts establishing the various spending programmes. These internal consultation mechanisms allowed preventing duplications and overlaps with other Commission programmes, eg, the Customs Programme or the Internal Security Programmes, as well as strengthening existing synergies and identifying new ones.

The evaluation found that the programme has been **effective**. The programme financed actions which, by nature (e.g., by financing scanners to detect smuggled goods, or supporting digital forensic trainings to the benefit of national services in charge of investigating cases involving the EU financial interests), clearly contributed to the protection of the EU financial interests.

With regards to training activities, the external study concludes, on the basis of the final reports of the actions and surveys of beneficiaries, that they generated results that were

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<sup>7</sup> The first results were received mid-2016.

largely in line with the expected outputs. Nonetheless, it was found that only few actions involved staff exchanges between national administrations and few actions involved international participation.

With regards to technical assistance, the timing for the evaluation, i.e. early in the life of the programme, made it challenging to further substantiate the above finding that the programme is effective.

Among the many external factors interfering with the achievement of the programme's objectives, the ability of fraudsters to *“adapt quickly to new circumstances at the EU level, operate cross-border and exploit the weakest points in the external borders”* was perceived as the most important. Such external factors tend to harm the financial interests of the EU and require continued efforts by national authorities to combat and prevent fraud. These efforts are supported, to the extent possible, by Hercule III actions.

The evaluation demonstrated the overall **efficiency** of the programme for both training actions and technical assistance activities. In particular, the application process does not appear to be too cumbersome for a large majority of the programme's stakeholders. Some applicants suggested alleviating the burden generated by the application and reporting processes, for instance by reducing the amount of requested information or increasing the use of IT tools for the application process. Most of these suggestions are currently in the process of being addressed since the Commission, in 2017, started using an electronic management system for the submission, processing and management of grant applications under the programme. The improvements brought about by the electronic management system involve for instance digitalising the whole application process and introducing the use of digital signatures. The electronic system is expected to noticeably alleviate the administrative burden and related time and resources spent on the applications in particular.

The evaluation showed the **EU added-value** of the programme. The stakeholders almost unanimously recognised the added value of the programme and its essential contribution to generating benefits. The majority of stakeholders also considered that the benefits from the programme would not materialise without the support of Hercule III or equivalent EU funding. The actions allowed for a better protection of the Union's external borders. The programme is an enabler for cross-border cooperation, in particular cross-border exchanges of information and best practices. The evaluation also revealed that the programme's transparency and reporting requirements contribute to the improvement of the beneficiaries' planning, monitoring and quality standards and to the quality of the beneficiaries' financial management in general.

The evaluation concluded that the programme is **sustainable**. There is a consensus among beneficiaries that the actions funded under the programme will continue producing benefits, even after their completion. This was particularly relevant for technical assistance actions where the deployment of equipment will continue generating results beyond the closing date of the activity. It also applied to training actions, where the beneficiaries were generally positive about the lasting effect of networking and exchange of information and best practices. Nonetheless, a substantial number of beneficiaries indicated that they would discontinue the activities funded under the programme, if it were to be terminated. This finding suggests that the discontinuation of the programme would impact the overall protection of the financial interests of the Union.

The evaluation found that the **Hercule III contribution to smart, sustainable and inclusive growth** called for by the Europe 2020 strategy is indirect. On the revenue side, it contributes to securing the financial means necessary for the initiatives taken to achieve the strategy's objectives and, on the expenditure side, it contributes to ensuring that these resources are not diverted to other ends. In addition, the increased protection of EU external borders supported by the programme contributes to creating a level playing field between EU businesses and their competitors based in third countries, which is considered another important factor to achieve Europe 2020's targets.

## **5. Way forward**

The mid-term evaluation has demonstrated that the Hercule III programme, in its current form and at this stage of its implementation, has largely fulfilled its mission. It has proven relevant, mechanisms are in place to ensure its coherence, and it has been effective and efficient. There is a clear added-value to have such a programme at the level of the EU, and the activities of the programme have been found largely sustainable.

During the external evaluation process, some ideas have been tabled of possible new objectives and activities for the programme going forward. These ideas, with the limitation that the external study did not test to what extent they are shared by a large part of the stakeholders, could feed into the Commission services' reflection for the next three years of the life of the programme, in particular in the areas of cross-border cooperation between Member States, cooperation with non EU partners, as well as new technological developments. These ideas will also feed into the wider reflection about the support to antifraud activities in the context of the preparations for the future multi-annual financial framework post-2020.