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Annual overview with information on the results of the Hercule III Programme in 2019

Accompanying the document

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

**31st Annual Report on the protection of the European Union's financial interests - Fight
against fraud - 2019**

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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 detection, investigation and forensic tools, or the purchase and installation of integrated systems for number plate recognition. The Programme also finances trainings and conferences as well as comparative research and scientific publications.

The legal basis¹ of the Programme requires the Commission to adopt an annual work programme² for the implementation of the Programme and to submit an annual report³ on the main results and achievements to the European Parliament and to the Council. This is the sixth annual overview of the achievements and results of the Programme.

The Programme was implemented in 2019 in accordance with Regulation (EU, Euratom) No. 2018/1046⁴.

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*”⁵, 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*”⁶. The five operational objectives⁷ 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.

1.2 Hercule III: eligible actions, beneficiaries and budget

There are three types of eligible actions⁸ supported by the Programme:

1. “Technical Assistance”⁹: 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;

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

² The sixth annual work programme was adopted by Financing Decision C(2018) 8568 final of 17 December 2018.

³ 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*”.

⁴ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (Financial Regulation – FR).

⁵ Article 3 of Regulation 250/2014.

⁶ Article 4 of Regulation 250/2014.

⁷ Article 5 of Regulation 250/2014.

⁸ 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.

⁹ 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

2. “Training”: support for training activities, conferences and legal studies focused on the protection of the Union’s financial interests;
3. “Any other action”: other actions necessary for attaining the general, the specific and the operational objectives of the Programme.

The beneficiaries¹⁰ 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 the participation of persons from third countries 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 2019 amounted to EUR 15.89 million in commitment appropriations and EUR 16.06 million in payment appropriations and is financed under item 24.0201 of the European Union budget for 2019.

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 for which financial commitments were made under the 2019 Annual Work Programme (section 2), as well as the results of actions that were finalised in 2019, but committed under the Programme in previous years (section 3).

2. Budget implementation in 2019

The budget for the implementation of the Programme amounted to EUR 15.89 million in commitment appropriations. Table 1 gives an overview of the available **budget** and the **commitments** made in 2019.

Table 1: Available budget and commitments made in 2019

TYPES OF ELIGIBLE ACTIONS 2019		BUDGET ¹¹	COMMIT ¹²	%
TECHNICAL ASSISTANCE (min. 70%)		11 741 200	12 062 616	103
Grants: Cigarettes and Investigation support	Grants	9 866 200	10 901 200	110
IT Databases	Procurement	1 350 000	666 442	49
IT Tools and tobacco analysis	Procurement	525 000	494 974	94
ANTI-FRAUD TRAINING (max. 25%)		4 150 000	3 719 865	90
Grants: Anti-fraud training	Grants	1 100 000	605 056	55

“*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*”.

¹⁰ 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.

¹¹ The budget corresponds to the summary table in the Annual Work Programme 2019 as adopted by the Financing Decision 2019 C(2018)8568 final of 17 December 2018.

¹² Commitments cover the total costs in 2019 of legal obligations (contracts, grant agreements/decisions) entered into for operations extending over more than one year.

Procured conferences	Procurement	1 000 000	952 460	95
Digital Forensics Training sessions	Procurement	1 550 000	1 730 273	112
Grants: Legal Training and Studies	Grants	500 000	432 076	86
TOTAL 2019		15 891 200	15 782 481	99.32

The information in the table above relates to commitments made on the 2019 available budget. The amount committed for technical assistance was higher than the earmarked budget in the annual work programme. During 2019, appropriations that were not committed for the procurement of databases and the “Training, Conference and Staff Exchange” call for proposals were transferred to the Technical Assistance grants. The **payments** under the grant agreements and most of the contracts signed in 2019 cannot be reported as most of them will only be made in 2020 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)¹³. 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), establishing the terms governing specific contracts to be awarded during a given period. In 2019, the overall amount committed for contracts was EUR 3 844 149 (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 11 938 332. 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 the eligible costs¹⁴ of the action and up to 90% in exceptional and duly justified cases. In 2019, the Commission awarded one 90% grant request for the “Legal Training and Studies” call for proposal (out of 28 grants awarded).

In March 2019, the Commission launched three calls for proposals: "Technical Assistance", "Legal Training and Studies" and "Training, Conferences and Staff Exchange". The deadline for submission of applications was set for 14 May 2019.

The calls were published via the Commission's Funding & Tenders Portal, an IT tool developed for the electronic submission of applications for grants and for the management of grant contracts. Under the three calls, the Commission received 68 applications¹⁵ 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 applications were ranked on the scores obtained for the following award criteria:

- 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.

¹³ Article 10 of Regulation 250/2014.

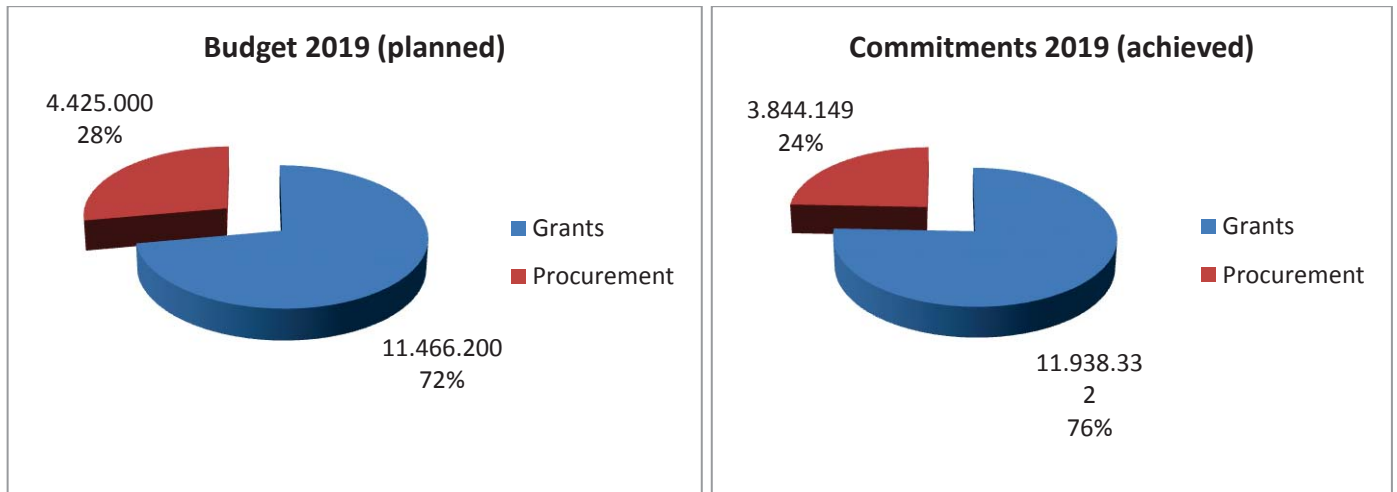
¹⁴ Article 10(4) of Regulation 250/2014. The annual work programme 2019 contained the criteria as required under Article 11 of Regulation 250/2014 for the definition of these exceptional cases. Applicants for "Technical Assistance" and "Legal Training and Studies" grants were given the possibility to request the maximum co-financing percentage of 90%.

¹⁵ Technical Assistance: 43, Legal Training: 6 and Training and Conferences: 19.

The examination of the applications led to the award of 28 grants¹⁶ at the end of 2019. Table 9 in the Annex provides an overview of the successful and rejected applications, broken down by call, Member State, amount requested and grant awarded.

Graph 1 below gives a breakdown of the planned budget and achieved commitments in 2019 by type of financial intervention (grants and procurement).

Graph 1: Hercule III budget and commitments in 2019 by type of financial intervention

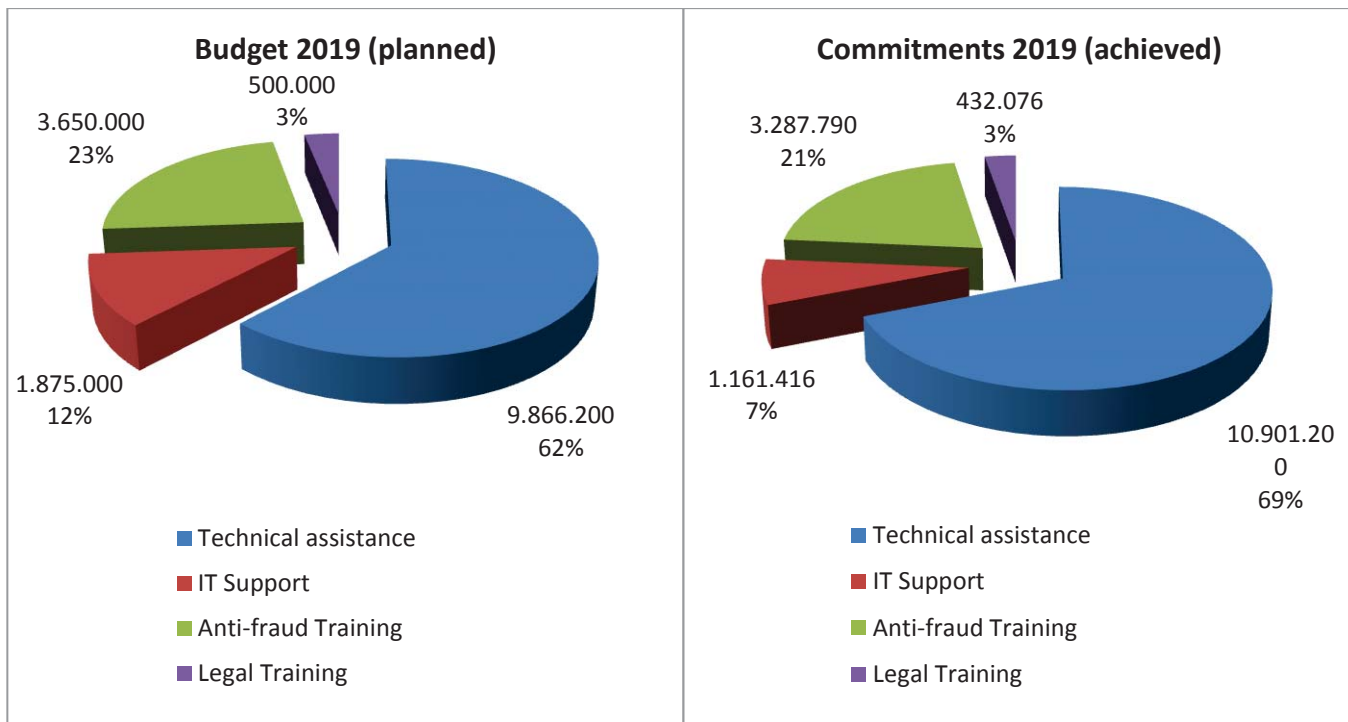


2.2 Budget implementation by type of eligible action

Graph 2 below gives a breakdown of the planned budget and commitments made in 2019 by type of action. The "Technical Assistance" actions identified in Regulation 250/2014 encompass "Technical Assistance" grant activities, as well as "IT support" (databases and IT tools), whereas the "Training Actions" include the grant activities under "Training, Conferences and Staff exchanges" and "Legal Training and Studies" calls for proposals, as well as the procured conferences and specialised trainings. The planned budget for technical assistance support represented 74% of the total and the commitments represented 76%. These percentages are well above the minimum percentage of 70% foreseen for Technical Assistance in the annex to Regulation 250/2014.

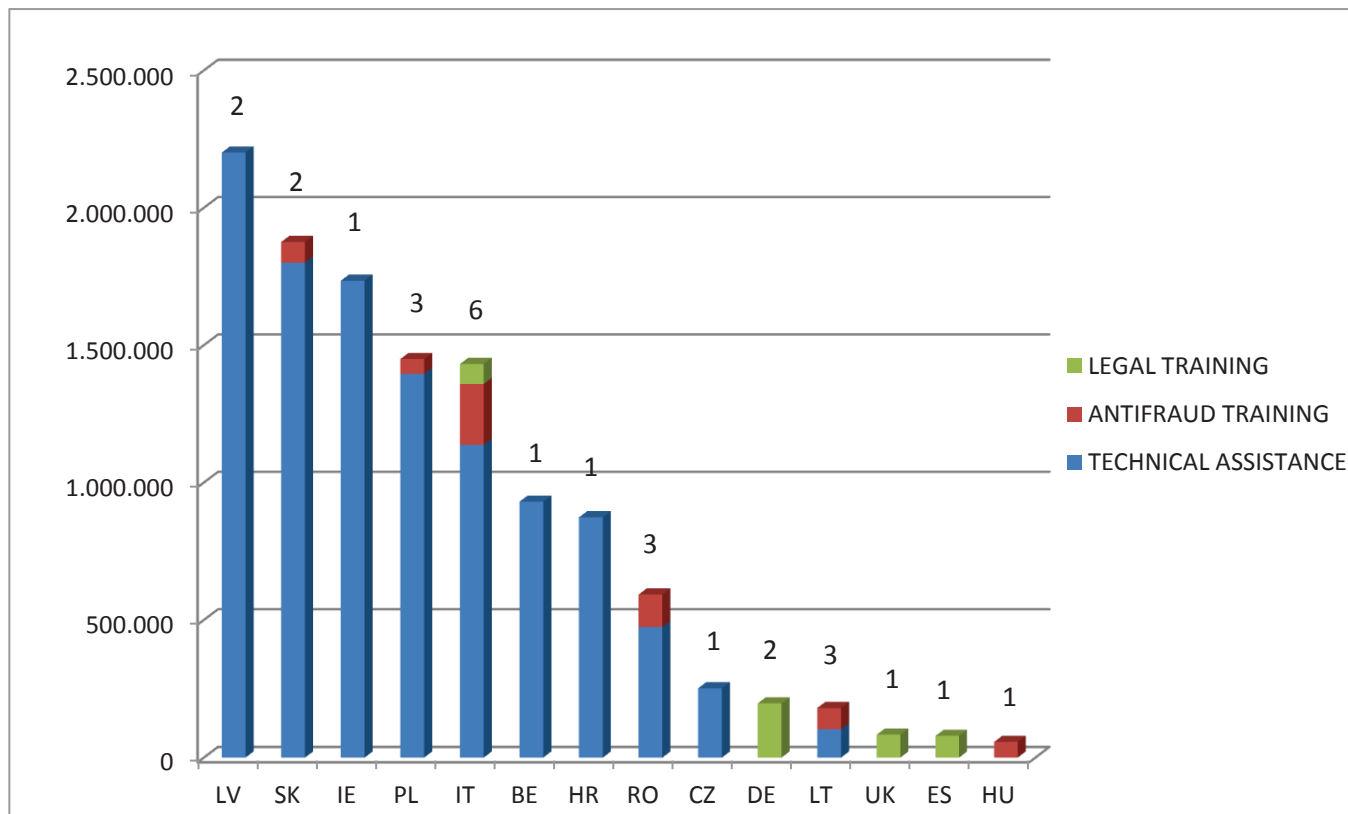
¹⁶ Technical Assistance: 13, Legal Training: 5 and Training and Conferences:10.

Graph 2: Hercule III budget and commitments in 2019 by type of eligible action



Graph 3 gives an overview of the 2019 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 14 Member States.

Graph 3: Hercule III commitments (in EUR) and number of grants in 2019 by Member State and by sector of activity



2.2.1 *Technical Assistance grants*

The budget for technical assistance grants was EUR 9 866 200. 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 **detection** devices 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; the purchase and maintenance of technical equipment for the **identification** of beneficiaries of cash assistance programmes, including by biometric means, in order to prevent fraud and irregularities related to the use of the Union's funds in the migration and refugees management field;
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. Beneficiaries' purchase of services for the **analysis, storage and destruction** of seized genuine or counterfeited cigarettes and other counterfeited goods detrimental to the Union's financial interests.

The Commission received 43 applications from 16 Member States by the deadline of 14 May 2019. The total budget of the proposed actions was EUR 36.5 million and the requested financial support amounted to EUR 30.9 million. This amount exceeded the available budget of EUR 9.87 million more than threefold. The Evaluation Committee adopted its recommendations in October 2019 and the decision to award grants for 13 actions was also adopted in October 2019.

All applicants were informed of the outcome of the evaluation procedure. The overall amount approved for technical assistance grants was EUR 10.9 million. The average co-financing percentage for the awarded grants was 78.5% of the eligible costs¹⁷ of the action. Grants were awarded for the purchase of investigation equipment (including forensics equipment), data analysis systems and large x-rays scanners as well as a plant laboratory and Automated Number Plate Recognition Systems. Table 1 in Annex 1 gives an overview of the beneficiaries, project title as well as the grant amount and awarded 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 databases¹⁸.

¹⁷ The maximum co-financing rate is 80% for Technical Assistance grants but the Commission may award in exceptional and duly justified cases a grant up to 90% of eligible costs. In order to finance more projects in 2019, the evaluation committee recommended that only 80% co-financing should be awarded. The two projects financed from the reserve list were co-financed at a rate of 70%.

¹⁸ The use of the databases made by OLAF staff is paid from the administrative budget of the Commission (OLAF).

Access to databases for trade and company data as well as for vessel movements were purchased in 2019 by concluding specific contracts under existing framework contracts¹⁹. Table 3 in Annex 1 gives an overview of the contracts awarded in 2019.

Development of specific IT tools for data analyses

The Automated Monitoring Tool (AMT) project for the analysis of “big data” on external trade, carried out by the Joint Research Centre (JRC) of the European Commission in Ispra (Italy), was continued in 2019 under an existing administrative arrangement funded from previous years and lasting until January 2021. It aims to enhance and implement specific statistical methods and tools for the analysis of data from customs declarations to detect anomalies in trade patterns. In this way, it supports risk management activities undertaken by Member States’ customs authorities to fight evasion and fraud.

The AMT generates automated alerts for outliers in trade data. It generates estimates for average import prices, at EU and national level, by applying statistical methods for each combination of product, third country of origin and Member State of destination. It is a risk analysis tool for Member States’ customs authorities to monitor trade flows for intelligence analyses, target their controls and produce risk profiles to identify cases of potential customs fraud. It also provides realistic scenarios for joint customs operations and is a tool for estimation of the customs duties that should be collected and the related potential total losses due to undervaluation in the EU in such cases. The use of AMT has improved authorities’ ability to detect the undervaluation of imported goods and thereby helped to reduce the level of losses to the EU and Member States’ budgets in customs duties and taxes. In 2019, several Member States broadened the use of the AMT during a pilot project where Member States’ customs shared best practices and data for the development of new data analysis techniques to detect undervaluation and to improve estimates of import prices. This pilot took place under the INTEL4CUSTAF project, which is also a Hercule funded project to improve and strengthen cooperation between customs authorities in the area of data analysis for anti-fraud activities, described below.

OLAF and the JRC extended the administrative arrangement (for an amount of EUR 322 763) for the “**Data Analysis for Customs Anti-Fraud**” project (INTEL4CUSTAF). Work on this project started in 2018, at the request of Member States, to provide “scientific and technical support in advancing the anti-fraud EU customs data analytics capacity”. It covers activities falling within the scope of Regulation (EC) No 515/97 on mutual administrative assistance in the areas of customs and agriculture matters to ensure the correct application of customs legislation. The longer term goal of the project is to provide knowledge and to facilitate and support the work of customs authorities in the Member States for the effective and efficient use of data and analytical approaches in the area of customs anti-fraud.

During 2019, as in 2018, networking activities were conducted. In two years, the project has established and strengthened a community of practitioners in the domain of customs data analysis, bringing together around 150 experts drawn from all Member States and the Commission. The 3rd workshop, organised in Prague with the assistance of the Czech Customs Administration, attracted 58 participants from 27 Member States, who discussed new work, good practices and progress with the pilot research projects. Visits were also undertaken by the Commission to two Member State customs authorities. Such activities have improved collaboration among Member States’ customs authorities and with the Commission. Also in 2019, five concrete data analysis (pilot) exercises started, to research and develop new data analytical tools and methods intended to help detect customs fraud in key areas of interest to Member States. The projects looked at issues related to: undervaluation, misdescription of goods, automatic identification of possible e-Traders (linked to e-commerce), the potential of comparing the results from different ways of measuring container weight to identify possible fraud, using text mining and media monitoring to identify reports of

¹⁹ 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.

illicit tobacco. In addition to this analysis, the pilot projects facilitated data and knowledge sharing between participants in the Member States and the Commission and work on joint analysis.

The results of the project contributed to improve fraud detection and investigation, through the strengthening of the customs analytical community and the work performed in the pilots. Thus, the project improved the transnational cooperation and collaboration with the Commission, the sharing of good data analysis practices among Member States and supported the strengthening of Member States capacity to combat fraud, and, overall, of the protection of the financial interests of the EU.

Following positive feedback from the Member States customs experts, the administrative arrangement was extended for a third phase in 2020. It was decided to continue four of the 2019 pilot projects and to implement two new pilots: i) using text mining for the validation of commodity descriptions in customs declarations; and ii) a study to understand the potential use of the new tobacco track and trace data in tackling tobacco fraud.

Section 3 provides examples of the results obtained in 2019 using the AMT tool and the data analysis project.

Tobacco analyses

The illicit tobacco trade causes losses of taxes to the EU and Member States, is a revenue source for organised crime groups, and undermines health policies. Fighting the illicit tobacco trade is therefore key to protecting the financial interests of the EU and Member States, as well as protecting public health and security. To help tackle this phenomenon **TOBLAB, a laboratory for the analysis of tobacco products**, was set up in 2016 by the JRC's Institute for Reference Materials and Measurements in Geel (Belgium). TOBLAB provides and develops independent testing facilities, IT infrastructure and analysis methods to determine whether tobacco products are genuine or counterfeit and to support investigations, in response to needs expressed by the Member States.²⁰ The annual administrative arrangement with the JRC's Geel Institute was renewed in 2019 with Programme funding for an amount of EUR 171 771. The analyses carried out confirmed an increase in seizures of cheap whites. In this context, providing chemical and technical analysis on selected samples of seized tobacco products and promoting the capacities of the laboratory facility is an action to strengthen analytical tools in the 2nd Action Plan to fight the illicit tobacco trade adopted by the Commission in 2018²¹.

In its 2018 Action Plan, the Commission acknowledges a need to focus on input materials, including raw tobacco, also in the context of increased detection of illicit production sites within the EU. The number of requests from Member States for JRC analysis of seized raw tobacco and fine cut tobacco samples increased significantly in 2018-2019. Such illicit trade has negative consequences in terms of revenues and broader tobacco control policy. To address the situation, and in line with the objectives of the Action Plan, the JRC strives to populate its databases on raw tobacco while continuing to increase the samples of cigarettes analysed under the project. The creation of a mapping of raw tobacco in Europe would help to monitor cross-border movements of raw and fine cut tobacco. Section 3 describes some concrete results.

²⁰ 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".

²¹ COM(2018)846 final of 7 December 2018.

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 to facilitate the exchange of information on best practice in relation to the protection of the financial interests of the Union. The topics addressed by the 2019 applicants emphasised transnational cooperation and the further development, improvement and update of staff's skills and competences through risk-analysis workshops and conferences (50% of applications received), specialised trainings (33%) and staff exchange (17%).

The Commission received 19 applications from 10 Member States by the deadline of 14 May 2019. The total amount of requested grants was EUR 1.5 million whereas a maximum of EUR 1.1 million was available. The Commission selected for award ten projects for the amount of EUR 605 056. 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 training activities focused on the protection of the Union's financial interests organised by the Commission. Nine events were funded in 2019 through the use of an existing framework service contract. The overall budget available for procured conferences was EUR 1 million. Table 5 in Annex 1 provides an overview of the nine events that were procured in 2019.

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 since 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.

In 2019, a total of 233 officials attended two training sessions financed by Hercule III in Spain, in Seville (September 2019) and Malaga (November 2019). These sessions were managed under the collaboration of a professional conference organiser and a training provider. The first session was attended by 106 national officials. The second session was attended by 107 national officials. The trainees came from 28 Member States and 9 third countries. In addition, 20 EU officials participated, financed by the EU administrative budget.

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 2019, 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;
3. Developing periodical scientific publications and other tools for the dissemination of scientific knowledge.

The Commission received six applications from five Member States by the deadline of the call for proposals on 14 May 2019. The aggregate budget of the six projects totalled EUR 0.68 million and the Commission was requested to contribute an amount of EUR 0.54 million, where EUR 0.5 million was available. The Commission decided to award a grant to five applications for an overall amount of about EUR 0.43 with an average co-financing rate of 81%. The grants were awarded, amongst others, for conducting studies on EU VAT fraud, fraud prevention, national transposition of the Directive on the fight against fraud to the Union's financial interests by means of criminal law, 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 2019.

3. Achievements 2019

This section provides an overview of the main results achieved by beneficiaries implementing awarded grants coming to an end in 2019. The outcomes of projects are reported in the final technical report submitted by beneficiaries with their payment requests. Final technical reports also describe issues encountered during the implementation of the action, such as delays or staff changes. It records how they were resolved and eventual impacts on the project's outcome.

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.

Training activities finalised in 2019 consisted of conferences (83%) and staff exchanges (17%) and concerned a wide range of disciplines and topics such as: combating irregularities in the use of EU funds, corruption and conflicts of interests, fighting intra-community VAT fraud and cross border tobacco-related crimes, enhancing the legal protection for the Union's financial interests, enhancing cooperation for the establishment of the European Public Prosecutor's Office (EPPO), preventing frauds and irregularities in international cooperation and development projects, and strengthening actions to fight frauds in public procurement.

While most of the training projects addressed representatives of administrations responsible for managing EU funds and law enforcement agencies (police, customs), the participation of students, professionals, NGO's and educational institutions was also noteworthy. A total of 1 551 persons attended anti-fraud trainings and conferences and 1 095 event evaluation forms were received. The feedback received was overwhelmingly positive, with 99% of the participants giving the events "excellent" or "good" assessments. The evaluations of the projects finalised in 2019 confirmed a growing international dimension. Participants came from the 28 EU Member States, 5 candidate countries and 9 third countries.

Technical assistance grants are awarded for the purchase and installation of technical equipment which, at the time of final reporting, has only been operational for a short period. The first tangible results of the 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. For this reason, beneficiaries are also required to submit a final implementation report one year after the closing date of their actions to report on the results from the use of equipment.

The reported results are examined in the light of the operational objectives of the Programme. Sections 3.1 to 3.5 below describe the Programme's achievements in the framework of these objectives.

3.1 Operational objective 1 - To improve the prevention and investigation of fraud and other illegal activities beyond current levels by enhancing transnational and multi-disciplinary cooperation²²

This operational objective is fulfilled mainly through the projects that are funded under the training component of the Programme. A vast array of anti-fraud related topics were covered during the training actions finalised in 2019. The projects had the following main results:

- a) Widespread dissemination of strategies, experiences and good practices to fight corruption and other criminal activities affecting EU-funded projects in various countries;
- b) Increased awareness on fraud risk indicators and EU anti-fraud policy;
- c) Enhanced use of specialised methodologies, tools and techniques to fight against fraud affecting the Union's financial interests.

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

The Romanian Centre of Legal Resources implemented an action aimed to review corruption schemes, prevention mechanisms and investigation strategies.

Between January 2018 and March 2019, it organised the following three international conferences in Bucharest (Romania):

- Two-day conference "Mapping corruption schemes involving EU funds" gathering 78 participants from Romania, Croatia, Serbia, Albania, Bulgaria, Hungary and Macedonia.
- One-day conference "Corruption prevention mechanisms related to EU funded projects" with 60 participants from Romania, Italy, Albania, France, Netherlands and United Kingdom.
- One-day conference "New investigation strategies to uncover corruption in the EU financed projects" gathering 45 participants from Romania, Hungary, Bulgaria, United Kingdom, Greece, Serbia, and Netherlands.

The participants were customs and police officers, magistrates, representatives of administrations and non-profit organisations. The project had a strong transnational dimension, bringing together 183 attendees from 12 countries and contributed to disseminate strategies, experiences and best practice to fight corruption affecting EU-funded projects throughout the EU and abroad.

The Italian Ministry of Economy and Finance carried-out an action aimed to strengthen the cooperation between anti-fraud coordination services (AFCOS) in the Member States and similar services in candidate and neighbouring countries.

Between January and December 2018, it organised the following events:

- Two-day international conference in Rome gathering authorities of the 28 countries involved.
- Several round tables on anti-fraud issues gathering representatives of the AFCOS in Tallinn (Estonia), Helsinki (Finland), Kiev (Ukraine) and Prague (Czech Republic).
- One-day international conference at the European Parliament in Brussels gathering representatives of EU institutions and of the 28 participating countries.

This action gathered a total of 155 participants (21 Members States, 4 candidate countries and 3 third

²² Article 5(a) of Regulation 250/2014.

countries) mainly from the AFCOS and law enforcement authorities. It contributed to a reflection on the needs for further developments aiming to improve the fight against fraud, such as:

- Increased cooperation between European and national authorities and real-time information sharing between AFCOS (improvement of communication systems);
- Improvement of the structure, powers and tasks of the AFCOS;
- More effective methodologies and guidelines for risk assessment in the management of irregularities and fraud within the national anti-fraud strategy;
- Implementation of an “early warning” system to improve information exchange and risk assessment procedures;
- Development of tools for effective collaboration between European and national authorities.

Two sessions of the **Digital Forensic and Analyst Training** were organised by OLAF in 2019, improving the detection, collection and analysis skills of staff in charge of extracting and using data from digital devices. The first session took place in September 2019 in Seville (Spain) and was attended by 116 trainees. Courses such as “advanced Windows forensic examiner” and “access data forensics” were held. The second session was organised in November 2019 in Malaga (Spain) with 117 participants and included, among others, an “advanced forensic” course and an “operational analysis” training. The trainees originated from all 28 Member States, 3 candidate countries and 5 third countries, coming from various public organisations such as Police, Customs, Ministries, etc.

3.2 Operational objective 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 exchanges²³

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 Agency for Agricultural Payments from the Region of Venice, Italy (AVEPA) organised four staff exchanges gathering a total of 79 participants representing AVEPA (Veneto Region, Italy), the National Paying Agency (NPA) under the Ministry of Agriculture of Lithuania, the Agricultural Registers and Information Board (ARIB) of Estonia, and the Agrarmarkt Austria (AMA) of Austria - as well as other related institutions (e.g. relevant ministries).

The four staff exchanges took place in Vilnius (Lithuania), Tartu (Estonia), Vienna (Austria) and Padua (Italy).

Competent authorities in the participating countries/regions exchanged experiences and best practices and shared knowledge to better identify risks of irregularities and fraud in private and public procurement.

Partners collaborated to produce a collection of contributions entitled “Strengthening Actions to Fight Fraud in Procurement - Private and public procurement procedures: some practical solutions for Paying Agencies

²³ Article 5 (b) of Regulation 250/2014.

to get more value for money and reduce irregularity and fraud risks". The volume provides a targeted summary of effective measures taken by the participating agencies. It contributes to:

- Increasing the awareness of the paying agencies' staff on specific issues related to the fight against fraud and irregularities in public and private procurement;
- Developing the theme of public and private procurement from a "value for money" perspective;
- Sharing tested solutions to common problems.

The activities and results of the project were published on the institutional website of the beneficiary. The beneficiary reported that all conference materials, a description of the project and results were sent to the EU paying agencies and were also disseminated via its social media channels. The project was presented to the directors of the European Paying Agencies during an annual meeting in Bucharest where representatives of the European Commission and the European Court of Auditors participated as speakers.

The Hungarian National Tax and Customs Administration (NTCA) implemented a staff exchange program with the participation of six Member States' counterpart administrations (Slovakia, Bulgaria, Estonia, Lithuania, Poland, Romania).

After a kick-off meeting where representatives discussed technical aspects and expectations, and created a staff-exchange coordination group, the NTCA organised six one-month staff exchanges between May 2018 and January 2019. With each staff exchange, two officers from another EU Member State came to a sensitive external EU border crossing point of Hungary.

Officers from the Financial Administration of the Slovak Republic, the National Customs Agency of Bulgaria, the Estonian Tax and Customs Board, the Customs Department under the Ministry of Finance of Republic of Lithuania, the National Revenue Administration of the Republic of Poland and the National Agency for Fiscal Administration of Romania attended. The focus of the event was the control tasks of the NTCA Tax and Customs Directorate with special attention paid to searches of cargo and passenger traffic. Participants reviewed methods and techniques, expanded their knowledge and shared experience. During the closing meeting, 34 participants evaluated the results of the action and selected the most successful and effective control techniques to formulate a set of new best practices.

The action contributed to the following improvements in the fight against fraud cigarettes smuggling and counterfeiting:

- The customs officers developed working relationships, exchanged their experience on risk analysis, selection for control, and searching techniques applied to cargo and passenger traffic;
- The participants became familiar with Hungarian control procedures and best practice;
- All participants had the opportunity to implement the newly acquired skills in their own country. In particular, the search experts working at external EU borders of the six participating Member States defined new risk profiles in order to filter cigarette smuggling;
- The exchange of information between the participants developed more effective detection procedures;
- During the action, the participants controlled 877 vehicles and detected and seized 19 466 packets of cigarettes for a value of more than EUR 65 000. Together with the cigarettes, the participants seized other illegal goods for a similar value (cash, amber stones, alcoholic beverages, pesticide).

3.3 Operational objective 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 authorities²⁴

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 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.

The Commission receives, during a given year, final technical reports on the implementation of grants funded in previous years. The duration of technical assistance grants is generally 18 months and, under very exceptional circumstances, may be extended to 24 months. Therefore, final reports received correspond to actions financed under several budget years. Financial support for equipment and technical assistance contributes substantially to a higher number of arrests, seizures and convictions. Seizures made with the help of x-rays scanners, for example, clearly demonstrate a direct relationship. Digital forensics software or devices to monitor vehicles or persons suspected of involvement in illicit activities enables beneficiaries to improve the overall efficiency and effectiveness of the operations carried out in support of investigations to protect the Union's financial interests, as shown in the examples below for technical assistance grants finalised (final technical reports received) in 2019. The complete list of finalised Technical Assistance grants is found in Annex 1, Table 2.

The National Fiscal Administration Agency of Romania (N.A.F.A) reported on its grant for detection equipment aimed at curtailing cigarette smuggling and illicit cross-border trafficking of goods. The equipment purchased includes two detection kits with density scanners and digital cameras, portable x-ray systems and portable endoscopes. Training for the mobile team customs officials from various locations in Romania took place. The use of the equipment leads to increased efficacy combatting the trafficking of illegal goods and diminishing the black market of cigarettes while improving the security of the EU's external border. The equipment reduces the control time of minibuses, coaches and railway carriages where the dismantling of large panels is required.

The Regional Police Headquarter in Olsztyn, Poland, purchased a mobile intelligence centre. The equipment, designed to detect criminal networks involved in illicit cigarette and tobacco smuggling, increases the investigative capabilities of the beneficiary. Ensuring data collection from the mobile network supports operations and permits the gathering of data for criminal proceedings and the identification of smuggling routes across Poland and the external border of the EU. The identification of suspects and their locations in remote areas is greatly enhanced using this unit. At the time of the first reporting period, the mobile unit had been used in 27 operations and also in cooperation with other law enforcement agencies in

²⁴ Article 5 (c) of Regulation 250/2014.

the region of Olsztyn.

The State Forensic Examination Office of Latvia purchased spectrometry tools and an ultra performance chromatography system designed to facilitate forensic examinations of documents and inks. Thirty-seven experts from Latvia, Lithuania and Estonia attended trainings carried out by experts from France and Germany. Cooperation with experts from France and Poland has also been established to reinforce skills. The beneficiary reports that its analytical capacity has been enhanced and that its ability to provide high quality forensic evidence for financial and economic crime investigations has been significantly reinforced. It is able to provide better services to various law enforcement institutions including the police, prosecutor's office, border guard offices and the state revenue service. The equipment is instrumental in cases involving illicit trade and smuggling of tobacco products.

A mobile X-Ray unit was purchased by the **Customs Administration of the Czech Republic**. This unit allows for non-intrusive inspection of road and train transported goods. Twenty customs officers attended the expert training course to learn how to operate the scanner and how to interpret images. This unit will assist in the detection of illicit and smuggled goods and will facilitate fast and effective inspections. The aim is to detect smuggled tobacco and cigarettes in small shipments transported by cars, lorries, buses and planes. The mobile unit can be deployed throughout the country supporting enforcement units. Crossborder cooperation will be enhanced mainly with Germany and Poland. Results and best practices will be shared with the Customs Detection Technology Project Group to enhance international cooperation.

Technical assistance *implementation reports* submitted describe the results obtained after 12 months of using purchased equipment. These provide a better overview and understanding of the long 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. In 2019, fourteen implementation reports were received for grants awarded under the annual budgets of 2015 and 2016.

The Customs Administration of the Republic of Croatia reported on the outcomes from the purchase of a mobile x-ray scanner mainly used in the port of Rijeka and the surrounding motorway and border crossing. The equipment aims to strengthen its operational and technical capacity to detect smuggled and counterfeited goods, in particular cigarettes and tobacco, imported into the European Union resulting in the evasion of VAT, customs duties and excise taxes. The scanner has improved the efficiency of customs controls resulting in significant seizures including more than 3 million cigarettes. The beneficiary reported overall in the 12-month period, a collection of EUR 590 000 in import duties, evaded VAT and excise taxes and penalties.

The Maritime Unit of Border Guard in Gdansk, Poland reported on the results of its purchase of mobile x-ray scanners type 'Mini-Z'. These devices improved detection ability during checks on cargo ships, fishing vessels and other watercraft. The portable size of the scanners permits effective controls in closed and inaccessible spaces. The gathering of evidence for criminal proceedings has also improved. The report outlines various controls carried out on passenger cars, merchant vessels and recreational vehicles. 33 maritime border guard officers were trained and certified and a further 24 officers from Szinoujskie and

Elblag were trained. Cigarette seizures amount to 7 420 pieces and 768 packs during the reporting period; other seized items including ammunition were also reported.

The purchase of technical updates for an Automated Number Plate Recognition System (ANPRS) for nine patrol cars for the **Customs Department of the Ministry of Finance of Lithuania** has led to 60 pre-trial investigations involving the smuggling of cigarettes. The replacement of computers for the system has improved its functioning and data flow, and is now linked to a system used by the Polish customs. The system is also integrated with those of the Baltic countries. 19 stationary ANPRS check points operate at the borders with Lithuania, 7 internal and 12 external. 16 workplaces were upgraded and 1 400 users have been trained to analyse the data stored. This integrated system enables data exchange among the 75 regional check points installed at the external borders with Russia, Belorussia and Ukraine. The reporting period of 2018 – first quarter of 2019 indicates that 170 million cigarettes were seized for a value of EUR 26 million, or EUR 19.5 million in losses to the national budget.

Examples of procured access to external databases

The Commission procured access to external databases for use by law enforcement authorities of the Member States. 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 controls.

The Member State customs services use a commercial database of **worldwide trade statistics** to analyse trade flows (imports and exports) as part of a risk analysis system. In general, Member States use the database for strategic and/or initial analysis to gain an overview of the movement of goods at a world level and focus on specific goods or countries of interest. This enables them to decide what action to take in cases of suspicion of potential customs fraud.

Specifically, it has been used primarily to assist identification of traffic diversions or transshipment of goods, which are being moved via an intermediate third country to disguise the real origin of goods imported into the EU, usually to avoid anti-dumping duty or to evade a prohibition/restriction. In addition, it provides the basis to cross-check information on exports from third countries with information on imports into a Member State from other sources.

These statistics are used to compare values leading to the identification of possible undervaluation of goods to avoid or diminish import duties. Customs services consult the database to create risk profiles for specific countries/products. Preparatory analyses for a recent joint customs operation were conducted using this database.

Member States' customs authorities use a database on **vessel information and movements**, in combination with other databases, to support risk analysis and targeting of commercial vessel traffic. It is regularly used to check the actual routes of vessels in order to cross-verify the origin of the goods in containers, for instance, when fraud is detected in anti-dumping and/or countervailing duties evasion. The database is also used in the customs clearance phase in order to detect potentially suspicious cases of import transactions. Moreover, the database was used for monitoring vessels transporting cargo containers directed to the EU customs territory for risky shipments, including smuggling of tobacco products.

A database with **information on companies** has also contributed to investigations led by Member States' customs authorities related to fraud affecting the financial interests of the EU. In one instance, a Member State customs service was able to perform a mapping of companies and their managers within the country and abroad, by querying the database to obtain information to expand fraud risk analysis capabilities, formulating new profiles to target controls. In another instance, searches were run on a company's shareholders to determine whether company's imports were the result of an intra-group sale and to analyse risks of undervaluation. This database was also used to investigate a case of international tax evasion and unlawful capital transfers to tax havens. Furthermore, with the help of the database, it was possible to establish potential customs debt for suspected import consignments using customs procedure 42 (which allows importers to obtain a VAT import exemption, when goods imported from outside the EU into one Member State are subsequently transported to another Member State) to evade customs duties and VAT.

Examples of operational results obtained from the use of the Automated Monitoring Tool, the Data Analysis project and the Tobacco analyses laboratory (developed with the Joint Research Centre).

The Automated Monitoring Tool (AMT) is an IT tool developed by the JRC and available to Member States' customs services. The AMT can be used to determine the risk thresholds for customs value. Several Member States use these estimates and the related price anomalies of specific products or origins, for their integration in the national risk profile systems, in some cases by combining estimates of EU average product prices with the results of their customs controls. It is used in the detection of undervaluation of imported goods, especially textiles and footwear. 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, excises and VAT. The use of the AMT tool has considerably increased in 2019: the tool received more than 80 000 data queries from almost 600 customs officers.

The AMT tool is also used in support of joint customs operations: for example, a recent operation was conducted by customs authorities of 25 Member States and OLAF covering a wide range of textiles and footwear goods and other goods imported from one third country in the EU. The operation is on-going and results will be reported later this year.

Two Member States are carrying out pilot activities with the JRC, as an extension of the AMT tool, using the Newcomb-Benford's law analysis on traders in annual audit plans, to improve the quality of results and the definition of the risk profiles. The research relies on the application of the Benford law which uses the observation of the distribution of the first digits of numbers in large databases with customs declarations to detect suspicious traders. The approach mainly aims at the detection of serial fraudsters, for which information accumulates in the corresponding transaction records. The findings from the application of Benford's methodology can be the basis for further investigative work if coupled with additional information from the AMT tool or the national risk profiles.

The INTEL4CUSTAF project aims to provide knowledge, facilitate and support the work of customs in Member States for the effective and efficient use of data and analytical approaches in the area of customs anti-fraud. The project has created an EU community in the field of customs anti-fraud data analysis (totalling 150 members from Member States and the Commission).

In 2019, five pilots of INTEL4CUSTAF brought together 44 experts from 18 Member States and colleagues from JRC and OLAF. The objective of the pilot project on **undervaluation** aimed to investigate the potential for signal generation, bringing together the results generated by the Automated Monitoring Tool (AMT) with those from customs controls performed by the Member States. It revealed variations among the approaches followed by Member States to estimate the risk thresholds for customs value. These findings

generated strong interest during the 3rd INTEL4CUSTAF workshop, culminating in a proposal to continue this work in 2020.

During 2019, the **e-commerce** pilot project focused on the detection of customs sensitive e-traders. E-commerce is a new priority in the fight against fraud affecting the Union budget, and this pilot is a first step aimed at automatically detecting importers of goods destined to be sold to individual customers through e-commerce platforms and fulfilment centres, with a high risk of customs and tax fraud. Experts from participating Member States discussed the definition of a customs sensitive e-trader and shared knowledge and experience of typical e-commerce fraud modus operandi as well as associated customs data.

The pilot project on **misdescription** of goods fraud aimed at developing a tool for the automated detection of misdescribed commodity codes as declared when goods are imported into the EU. The tool, based on national methods, provides the flexibility to perform analysis at country and EU level, thus helping to fight transnational customs fraud. A proto-type open-source analytical software was developed and is available for further testing. The project analysed about 130 000 declarations and generated 2 000 signals of potential fraud.

The aim of the **container weight** pilot was to study the feasibility of using a statistics model for the prediction of an estimated container weight. Comparing differences between this estimated weight, the real weight (as measured before loading) and the declared weight could potentially identify fraud such as under or over-valuation and wrong description of goods. Testing of this innovative idea during 2019 was hampered by problems in obtaining good quality data. However, several Member States stated that they should be able to provide the required information and many supported the continuation of this novel analysis in 2020.

A further pilot project built on the work started in 2018, to develop a search case for the automated monitoring and sharing of international on-line media for reporting **illicit tobacco** cases, using the existing Europe Media Monitor (EMM) tool. Drawing on the wider INTEL4CUSTAF community, 350 new, customs-relevant, sources of information and many new key words/phrases were added to cover the emerging fraud area of water-pipe tobacco. This pilot generated a new proposal: to test the application of text mining for the validation of commodity descriptions in customs declarations.

The laboratory for testing tobacco (TOBLAB) at the JRC-Geel facility has been operational since April 2016 and is regularly used by Member States' customs services and OLAF. The laboratory carries out analyses on samples of seized cigarettes and tobacco to identify the geographical origin of tobacco. On the basis of the results obtained it is possible to identify the origin, the producer and commercial brands. The analytical methods applied allow the identification of counterfeit tobacco products and can contribute to forensic investigations aiming to, for example, dismantle criminal networks. TOBLAB aims to develop intelligence on cheap whites as well as onraw and cut tobacco. In order to provide information about the geographical origin of seized raw tobacco, TOBLAB aims to construct a repository of raw tobacco grown in Europe including different production regions and varieties in a region.

The JRC maintains and updates a database with information on the chemical composition and origin of seized smuggled and counterfeit tobacco and tobacco products submitted by the customs services. In 2019, 115 samples of seized cigarettes, raw and fine cut tobacco were analysed. It was possible to identify cigarettes that had been smuggled into the European market and to establish connections between raw tobacco, fine cut tobacco and cheap white cigarettes seized in different places and at different moments within the EU, by connecting seizures to each other. The information obtained from the analyses allowed tobacco investigators to share intelligence on on-going investigations.

A repository of commercially available cigarettes purchased at licensed tobacconists across the world and

of cheap whites is maintained by JRC for building statistical discrimination models.

The 5th annual workshop with representatives of national customs laboratories and enforcement staff from 14 Member States, held in JRC-Geel in 2019, facilitated knowledge sharing and cooperation between Member State experts and the Commission.

3.4 Operational objective 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 counterfeiting²⁵

Several actions contributed to achieving this objective in 2019.

The Foundation Lelio and Lisli Basso (Italy) organised a two-day international conference on the EPPO in Rome (Italy) attended by 73 EU legal practitioners coming from 14 EU Member States. The participants were judges, public prosecutors, lawyers, law students and other relevant stakeholders at EU and Italian level and representatives of the Network of Associations for European Criminal Law and for the Protection of the EU's Financial Interests.

The project aimed to improve knowledge of the EPPO Regulation in conjunction with national law and identify and discuss possible solutions and working methods to overcome aspects that may hinder the operational set up of the EPPO.

The action contributed to:

- Improving the knowledge of the interaction between the EPPO Regulation and national law;
- Better understanding the conditions for a smooth operational set up of the EPPO;
- Acquiring qualifications and skills by strengthening awareness of the EU and national policy makers on the problems that may hinder the operational set up of the EPPO;
- Improving the understanding of the practical implications that the governance system of the EPPO, in particular, the establishment of European Delegated Prosecutors, may entail in national contexts.

In close cooperation with the Commission Directorates-General for Taxation and Customs Union and for Climate Action, OLAF organised a **Conference on the fight against illegal imports of refrigerant gases into the EU** for 64 participants from the EU industry, experts from the national customs administrations and from the Ministries of Environment in Brussels (Belgium). The participants came from 27 Member States,

This conference was in the context of one of the key priorities of the new Commission - making Europe the first climate neutral continent by 2050, the "European Green Deal". It addressed the cross-border fraud and raised the need of customs and environmental authorities, as well as industry, to work together, with the support of the European Commission.

The main attained objectives of the conference were:

- To share experience and strengthen the exchange of information among customs authorities and the competent environmental authorities;
- To gather information from industry and other stakeholders that could help fighting against illegal imports of refrigerant gases into the EU.

The representatives from the private sector provided a threat assessment in their respective domains. In addition, the participants discussed the following three topics during the break-out sessions:

²⁵ Article 5(d) of Regulation 250/2014.

- The significant increase of illegal traffic of water pipe tobacco;
- The implementation of the traceability system of tobacco deriving from the Tobacco Products Directive, at national level;
- The added-value of OLAF.

The conference contributed to the development of activities at both Union and Member States' level to counter counterfeit and banned refrigerant gas, and should lead to increasing transnational cooperation and coordination.

The **24th Task Group Cigarettes Conference** organised by OLAF brought together 99 participants from Member States, candidate and third countries in Zagreb (Croatia) in September 2019.

Its main achievements were to:

- 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;
- Illustrate best practices and results obtained by OLAF in the fight against smuggling and other tobacco-related offences, as a result of its investigative and coordination work;
- Deepen the analysis of the most salient investigative issues in the field of the fight against illicit trafficking and production of cigarettes and tobacco;
- Provide Member States with an updated situation of the cigarette smuggling phenomenon in the EU.

3.5 Operational objective 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 analysis²⁶

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

University of Luxembourg received a grant under the “Legal training and studies” call for proposals to conduct a comparative research titled “Admissibility of OLAF final reports as evidence in criminal proceedings”. The project compared the national approaches to the admissibility as evidence of administrative reports, in particular OLAF's, in criminal cases. It also looked at the topic from a wider EU perspective - by discussing relevant European standards and principles.

The project produced a set of policy recommendations, as well as seven national reports of participant Member States (Germany, France, Hungary, Italy, Luxembourg, Netherlands, and United Kingdom), two transversal reports ("EU administrative investigations and the use of their results as evidence in national punitive proceedings" and "Lawful and fair use of evidence from a European Human Rights perspective"), and one comparative report.

The impact of the project can be summarised as follows:

- Increasing knowledge and awareness of rules, procedures, and problems related to the admissibility of OLAF reports in national proceedings;
- Encouraging both national authorities and OLAF to develop virtuous practices to ensure that OLAF investigations and their outcomes are duly valued and taken into account by domestic law enforcement authorities and courts;

²⁶ Article 5(e) of Regulation 250/2014.

- Considering the OLAF-EPPO relationship and its impact on the admissibility of OLAF collected evidence.

All the project's outputs are included in an online free-access version made available: (https://orbilu.uni.lu/bitstream/10993/40141/1/ADCRIM_final_report.pdf). The results were widely disseminated through the online platform of the University of Luxembourg (Open Repository and Bibliography Platform: <http://orbilu.uni.lu/>), the website and the social media accounts of the Faculty of Law, Economics and Finance (<https://www.uni.lu/fdef>), as well as presented in various conferences and events.

The Programme continued funding the publication of “**eucrim – The European Criminal Law Associations’ Forum**”, which was published in four issues during 2019 by the German Max Planck Institute in Germany. The periodical addressed current developments in the European criminal law, such as the implementation of the European Public Prosecutor Office, the Commission’s new anti-fraud strategy, or the EU judicial cooperation with third countries. Each issue was printed in two thousands copies and distributed to universities, libraries, courts, law enforcement authorities and individual subscribers. The articles were also published on the internet, free of charge²⁷.

The Romanian National Anticorruption Directorate received funding for the project “Promoting the protection of the financial interests of the EU by supporting the actions of the Member States and the European institutions in the transition towards the EPPO”, aimed to support to Romania and other Member States in the process of preparing the transition to a functional EPPO. The project included a study analysing the impact of the future EPPO on the Romanian judicial system, a national workshop (Bucharest, November 2018) and a European conference (Bucharest, December 2018) on the relation between the national prosecutorial systems and the EPPO and between the national authorities and OLAF, EUROJUST and EPPO. A hundred professionals from EU national prosecution offices, judges and academics, members of the Network of Associations for European Criminal Law and the Protection of the Financial Interests of the European Union, as well as representatives of OLAF and EUROJUST, participated in the final event, sharing experiences, challenges and solutions on how the national systems should prepare themselves for the establishment of the EPPO. The study and conference results were disseminated among the professionals from 23 Member States participating in the closing event.

4. Communication

The successful implementation of the programme required a structured approach to inform potential beneficiaries on funding opportunities. The Commission also disseminates information on the achievements and the results of the actions that received funding.²⁸

4.1 Informing potential applicants

The full texts of the calls' documents were made available on the Commission's Funding & Tenders portal and notices concerning the launch of calls for proposals were published in the Official Journal²⁹ as well as on the Commission's website³⁰. Professional networks were actively informed. Potential applicants were

²⁷ <https://eucrim.mpicc.de/>

²⁸ 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*”.

²⁹ OJ C 111 of 25.3.2019.

³⁰ http://ec.europa.eu/anti-fraud/policy/hercule_en

also informed via emails sent to the members of the Advisory Committee for the Coordination of Fraud Prevention (COCOLAF), to the Anti-fraud coordination services (AFCOS) and to the Network of Associations for European Criminal Law Associations and the Protection of the Financial Interests of the European Union.

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 recorded event(s) and the projects' outputs on their websites or created dedicated websites in order to disseminate results and conclusions. The dissemination of the results of projects 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, 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 1 551 participants attended Hercule training events in 2019. The Commission received 1 095 completed questionnaires (71% response rate), most of which indicated a high level of satisfaction. The feedback received was overwhelmingly positive, with nearly 99% of the participants assessing the events as “excellent” or “good”. Participants particularly appreciated the events having a practical impact on their daily work. 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.

A "post-event" survey of participants is requested six months after the implementation of a project in order to assess its mid-term impact. In 2019, the Commission has received seven ‘post-event’ surveys for training, conferences or staff exchange projects. In general, the number of participants who participate in post-event surveys six months after an event is lower than the number of those completing event evaluation forms.

From the 2019 surveys, 92% of participants consider that the actions had a practical impact (increased knowledge, skills, practice and efficiency) on their professional activities. 90% of the participants considered that the actions contributed to the objectives of the Hercule Programme. It must be noted that 86% of the participants shared the information received during the event with their colleagues. However, in the six months following an event only half the participants have reported, treated, investigated or sentenced an illegal activity affecting the financial interests of the EU. Finally, the majority of participants are interested in their organisation’s submission of a proposal for one of the future Hercule Programme calls for proposals.

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 projects 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 Programme's relevance is supported also by the findings of the mid-term evaluation that was carried out in 2017. The stakeholders reported that the Programme has been efficiently implemented and that it effectively addresses Member States' needs. The Commission is launching the final evaluation of the programme in 2020, for completion at the end of 2021. The programme's effectiveness, efficiency, added value and sustainability will be assessed, now on the basis of results of the programme's whole duration.

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 under the Multi-Annual Financial Framework 2021-2027 (MFF). The legislative procedure is on-going. The proposal combines two types of spending activities:

- a classic spending 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 operational activities in the area of mutual administrative assistance between Member States' customs authorities, and the Irregularity Management System (IMS), an IT tool 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 merger will allow the achievement of operational, budgetary and administrative synergies as well as increased resources' flexibility, in view of specific needs that may arise during the period of application of the new MFF. The strand of the new programme that will continue Hercule III will build on the successes of the current programme, and the learnings from the completed mid-term evaluation and the future final evaluation.

Annex 1: Grants and contracts awarded and finalised under the 2019 Financing Decision

Table 1 – TECHNICAL ASSISTANCE grants AWARDED under the 2019 Financing Decision

	MS	Beneficiary	Title and description	Awarded grant (EUR)	Co-fin %
1	BE	Service Public Federal Finances	Purchase, installation and maintenance of one mobile backscatter vehicle	930 441	80
2	HR	Ministry of Finance	Mobile backscatter cargo and vehicle screening system	873 600	70
3	CZ	Customs Administration of the Czech Republic	A mobile X-ray unit for detection of smuggled and/or counterfeited goods transported in luggage and parcels through aerodromes	252 000	80
4	IE	The Revenue Commissioner	Procurement of mobile x-ray container scanner	1 734 720	80
5	IT	Ministry of Economy and Finance/Guardia di Finanza	Purchase of 1 MINI-Class Aircraft System for the fight against counterfeiting and smuggling tobacco products	635 383	70
6	IT	Ministry of Economy and Finance/Italian AFCOS	Anti-fraud Integrated Platform	501 672	80
7	LV	State Revenue Service	Development of Automated Number Plate Recognition System (ANPRS)	1 793 039	80
8	LV	National Forensic Bureau	Operational capacity building of forensic examination of tobacco and other plant-based substances	407 821	80
9	LT	Financial Crime Investigation Service under the Ministry of the Interior	Purchase of investigation tools	102 818	80
10	PL	National Tax Administration	Purchase of a technical equipment for Department for Combating Economic Crime of National Revenue Administration	305 215	80
11	PL	Tax Administration Chamber in Lublin	Strengthening the operational capacity of Mobile Control Units in combating cigarettes smuggling and financial fraud at EU Eastern border – Purchase of a mobile scanner	1 090 379	80
12	RO	The National Anticorruption Directorate	Supporting the operational capacity of the National Anticorruption Directorate in investigating frauds against the EU funds	474 109	80
13	SK	Financial Directorate of the Slovak Republic	Improving customs surveillance and trade facilitation at the border crossing points	1 800 000	80
TOTAL				10 901 199	78.5

Table 2 – TECHNICAL ASSISTANCE grants FINALISED in 2019

	MS	Beneficiary	Title	Amount paid (EUR)	Amount paid as % to initial commitment ³¹
1	LT	State Border Guard Service under the Ministry of the Interior	The use of unmanned aerial vehicles in the State Border Guard Service's activity against tobacco smuggling	79 016	100
2	SI	Ministry of the Interior	Technical Assistance for mobile ANPR and the setting up of an Advanced Investigation Platform (AIP)	324 899	71
3	LT	Customs Criminal Service	Development of Criminal Intelligence Technical Tools	483 347	100
4	RO	Directorate for the Investigation of Organized Crime and Terrorism	Improved special investigation methods in tackling high-profile OCG smuggling at the EU Eastern border	398 893	95
5	RO	Brasov County Police Inspectorate	Fraud investigation in Brasov County with digital forensic hard and software	103 484	98
6	LT	Financial Crime Investigation Service under the Ministry of the Interior	Procurement of intelligence equipment	80 393	78
7	CZ	Customs Administration of the Czech Republic	Mobile X-Ray unit for inspection of personal luggage and parcels transported in road, train and air transport	246 278	100
8	RO	The National Anticorruption Directorate	Improving the Capacity of the National Anticorruption Directorate in investigating fraud and corruption detrimental to the financial interests of the EU	252 604	97
9	PL	Provincial Police Headquarters in Olsztyn	Improving the effectiveness of detection and combating tobacco crime, corruption and financial fraud to the detriment of the EU by equipping the Warmian-Masurian Police with a	458 956	99

³¹ Final payment as percentage of the awarded grant. A percentage lower than 100% means that the action was either not fully implemented or that the beneficiary managed to achieve cost savings.

			mobile intelligence centre		
10	RO	National Agency for Fiscal Administration	Increasing the role of mobile teams in preventing and combating smuggling and customs fraud	220 067	69
11	IE	The Revenue Commissioners	Procurement of mobile back scatter X-Ray scanning van	515 057	100
12	RO	Anticorruption General Directorate	Raising Efficiency of action to fight Against Corruption Threat and any type of Fraud	101 939	88
13	LV	National Forensic Bureau	Operational capacity building of the forensic document examination	557 078	99
14	NL	The National Police Of The Netherlands	TSO Innovative Self Healing Operational Network	445 912	97
TOTAL				4 267 928	

Table 3 – **DATABASES** that were **CONTRACTED** under the Hercule III budget in 2019

	Name	Content	Commitment in Euro
1	IHS Maritime Portal	Information on ship movements	227 554
2	GTA	Trade statistics data	188 888
3	ORBIS	Basic company information and financial details of companies all over the world	250 000
Total committed under the 2019 budget			666 442

Table 4 – **ANTI-FRAUD TRAINING & CONFERENCES** grants **AWARDED** under the 2019 Financing Decision

	MS	Beneficiary	Title	Awarded grant (EUR)	Co-fin %
1	LT	Special Investigation Service of the Republic of Lithuania	Strengthening law enforcement analytical capacities in Big Data Analysis to prevent and detect fraud and corruption affecting EU financial interests	38 140	80
2	IT	Court of Auditors/ Italian AFCOS	Cooperation Agreements and Training on Objectives and New Experiences	63 314	80

3	IT	European Institute for Socio-Economic Development Association	European Neighbourhood Policy & EU enlargement training & cooperation	56 737	80
4	RO	Directorate for the Investigation of Organized Crime and Terrorism	Developing the working procedures and skills of prosecutors and specialists regarding special investigation techniques and data extraction and analysis through exchange of staff and training with other EU border countries.	36 709	80
5	IT	Customs agency	E-commerce tools and potential risks for customs fraud	101 952	80
6	LT	Financial Crime Investigation Service under the Ministry of the Interior	Training course towards more effective cross-border cooperation against fraud affecting the financial interests	39 292	80
7	PL	National Tax Administration	Mutual actions to fight frauds in order to protect EU financial interests	54 017	80
8	HU	Transparency International Hungary	New European antifraud landscape in Hungary: challenges and missed opportunities	57 306	80
9	RO	Dolj County Police Inspectorate	Raising awareness and improving working methods of the actors involved in the fight against fraud through intra-Community acquisitions affecting the EU budget	81 683	80
10	SK	Financial Directorate of the Slovak Republic	Training focused on fight against VAT fraud for goods imported into the EU	75 899	80
TOTAL				605 056	80

Table 5 – Anti-Fraud procured conferences organised by the Commission under the 2019 Financing Decision

Dates	Conference title	Location	N° of participants	Amount paid EUR
19-21 June 2019	PIF : Cooperation between OLAF, law enforcement and prosecution services	La Hulpe	158	147 141
9-12 September 2019	24th Task Group Cigarettes (TGC)	Zagreb	99	40 914
16 September 2019	Workshop on the Future of the Network of PIF Associations	Brussels	31	33 361*
18-20 September 2019	AFCOS Seminar 2019	Skopje	85	33 434
26-27 September 2019	JCO HYGIEA-Debriefing Meeting	Rome	43	41 588

10-11 October 2019	Briefing and training - JCO SNAKE II	Brussels	45	88 067*
14-15 November 2019	High Level Conference on Customs Challenges in the Antifraud Area	Helsinki	87	94 805
19 November 2019	Pilot project related to Transshipment fraud on dangerous goods	Bangkok	15	23 548
23-24 January 2020	Fight against the smuggling of Refrigerant Gas, including counterfeit & banned products, in the EU	Brussels	81	67 298
* Amount committed, as no final invoices were received at the date of publication of this document		TOTAL	644	448 731

Table 6 – ANTI-FRAUD TRAINING & CONFERENCES grants FINALISED in 2019

1	MS	Beneficiary	Title	Amount paid (EUR)	Amount paid as % to initial commitment ³²
1	CZ	Transparency International - Czech Republic	Clean contraction in the European Funds	32 129	72
2	HR	Ministry of Finance	Further strengthening of the competent institutions in the area of managing on irregularities with the aim of protection of EU financial interests	47 201	71
3	IT	Ministry of Economy and Finance/Guardia di Finanza/Italian AFCOS	Cooperation Project 2	80 943	84
4	IT	Foundation Lelio E Lisli Basso	International Conference on Enhanced Cooperation for the Establishment of the EPPO.	56 607	87
5	IT	European Institute For Socio-Economic Development Association	EU Funded actions: detecting, handling, and learning how to prevent frauds and irregularities in international cooperation and development projects (IPA and ENI)	78 778	86
6	IT	Veneto Agency For Agricultural Payments	Strengthening actions to fight fraud in procurement	67 994	99
7	HU	National Tax and Customs	Anti-cigarette smuggling staff exchange program	45 237	53

³² Final payment as percentage of the awarded grant. A percentage lower than 100% means that the action was either not fully implemented or that the beneficiary managed to achieve considerable cost savings.

8	HU	Transparency International - Hungary	Exchange of expertise in identifying fraud risks to protect EU financial interests	38 055	94
9	RO	National Agency for Fiscal Administration	Improving NAFA's administrative capacity in fighting VAT intra-community fraud through an increased knowledge and awareness of the risks and a better use of fraud prevention and combating tools	40 605	68
10	RO	Legal Resources Centre Foundation	Corruption in EU financed projects: a review of corruption schemes, prevention mechanisms and investigation strategies	48 368	60
11	RO	Alexandru Ioan Cuza Police Academy	Eliminating fraud and preventing incompatibilities, a safe way towards successful access to European funds	13 289	38
12	RO	The Romanian Branch of the Freedom House Inc. Foundation	Enhancing the legal protection for EU financial interests in Romania	44 327	59
TOTAL				593 538	73

Table 7 – LEGAL TRAINING & STUDIES grants AWARDED under the 2019 Financing Decision

	MS	Beneficiary	Title	Awarded Grant (EUR)	Co-fin %
1	DE	Max-Planck Institute	eucrim - The European Criminal Law Associations' Forum - publication of a periodical on the protection of the EU's financial interests	157 161	80
2	DE	European Academy of Law Trier Public Foundation	Transposition of PIF Directive and its consequences on the effectiveness of the EPPO	39 892	80
3	ES	University of Burgos	Toolkit for the prevention of frauds in European funds with special attention to ERDF and CF	79 033	90
4	IT	University of Perugia	Administrative prevention through targeted anti-corruption models for candidate countries	72 491	80
5	UK	Coventry University	VAT fraud: interdisciplinary research on tax crimes in the European Union	83 498	80
TOTAL				432 075	82

Table 8 – LEGAL TRAINING & STUDIES grants FINALISED in 2019

	MS	Beneficiary	Title	Amount paid (EUR)	Amount paid as % to initial commitment ³³
1	NL	University of Utrecht	OLAF and the EPPO in the new institutional setting for the protection of the financial interests of the EU	23 806	59
2	DE	European Law Academy	Understanding each step of the “anti-fraud cycle”: prevention, detection, investigation, sanctioning and recovery to combat the irregularities affecting the financial interests of the European Union	25 184	60
3	IT	University of Modena	Europe Against Cyber VAT Frauds	66 323	100
4	HU	University of Miskolc	Criminal law protection of the financial interests of the EU – Focusing on money laundering, tax fraud, corruption and on criminal compliance in the national legal systems with reference to cybercrime	56 985	77
5	RO	The National Anticorruption Directorate	Promoting the protection of the financial interests of the EU by supporting the actions of the member states and the European institutions in the transition towards the EPPO	35 785	55
6	LU	University of Luxembourg	Admissibility of OLAF final reports as evidence in criminal proceedings	58 496	75
7	RO	“Alexandru Ioan Cuza” Police Academy	Developing the capacity to prevent and investigate situations of incompatibility and conflict of interest affecting the financial interests of the European Union	22 799	54
TOTAL				289 378	71

³³ Final payment as percentage of the awarded grant. A percentage lower than 100% means that the action was either not fully implemented or that the beneficiary managed to achieve cost savings.

Table 9 – GLOBAL OVERVIEW per country of awarded grants and rejected applications in 2019

	Number of applications received	Number of awarded grants	Grants requested (EUR)	Grants awarded (EUR)
TECHNICAL ASSISTANCE 2019	43	13	36 003 542	10 901 200
Belgium	2	1	1 183 440	930 441
Bulgaria	2	0	1 055 579	
Croatia	2	1	2 200 758	873 600
Czech Republic	1	1	269 640	252 000
Finland	1	0	416 272	
Greece	3	0	1 780 276	
Hungary	2	0	4 123 522	
Ireland	1	1	1 734 720	1 734 720
Italy	2	2	1 353 418	1 137 055
Latvia	7	2	3 791 837	2 200 861
Lithuania	3	1	1 319 818	102 818
Malta	1	0	93 600	
Poland	6	2	3 384 202	1 395 595
Romania	6	1	5 415 071	474 109
Slovakia	1	1	2 100 000	1 800 000
Spain	3	0	2 281 385	
TRAINING & CONFERENCES 2019	19	10	1 486 009	605 056
Bulgaria	1	0	43 266	
Cyprus	1	0	81 417	
Greece	1	0	203 728	
Hungary	2	1	190 870	57 306
Italy	4	3	305 201	222 004
Lithuania	2	2	84 959	77 433

Malta	1	0	59 506	
Poland	2	1	73 387	54 017
Romania	3	2	211 592	118 392
Slovakia	2	1	232 078	75 899
LEGAL TRAINING 2019	6	5	542 104	432 075
Germany	2	2	197 096	197 053
Italy	2	1	191 259	72 491
Spain	1	1	70 251	79 033
United Kingdom	1	1	83 498	83 498
TOTAL	68	28	38 031 655	13 814 230