

Fight against fraud: protection of the Community financial interests, Hercule II action programme 2007-2013

2006/0114(COD) - 28/06/2006 - Legislative proposal

PURPOSE : to establish the 2nd phase of the HERCULES programme to promote activities in the field of the protection of the Community's financial interests.

PROPOSED ACT : Decision of the European Parliament and of the Council.

CONTEXT : Decision 804/2004/EC of the European Parliament and of the Council established a Community action programme to promote activities in the field of the protection of the Community's financial interests (Hercules programme, please see **COD/2003/0152**).

The aim of the HERCULES programme is to ensure similar and efficient levels of protection of the Community's financial interests and the exchange of best practice. To this end, the programme provides grants for individual activities, such as studies, conferences or training, and provides operating grants for organisations active in this field, such as associations established to promote the protection of Community financial interests.

In accordance with Article 7(a) of Decision No 804/2004/EC, OLAF has drawn up a report on the implementation of the programme and the appropriateness of continuing it (Please refer to the follow up document of procedure **COD/2003/0152**). As the implementation report confirmed that the objective of the programme had been achieved, particularly in terms of improving the protection of the Community's financial interests, the conclusions of the report recommended the continuation of the programme. This is the purpose of the proposal.

CONTENT : The main objective of the HERCULES II programme remains unchanged, while the amendments introduced in the proposed decision focus on the following elements:

1. The introduction of “public procurement contracts” into the basic act, which at present covers grants only. In this way, all operational expenditure relating to general anti-fraud activities is included in a single basic act, thereby streamlining and simplifying the legal bases in force at present. These public procurement contracts will aim to attain the objectives of the programme, complementing those attained by means of calls for proposals. The public procurement contracts targeted by the HERCULES programme cover the sectors “information support”, “technical assistance” and “training, seminars and conferences”.

2. In this context, it is judged appropriate to **merge OLAF's budget lines** starting in 2007, with the exception of the “AFIS” budget line (No 24 02 03). In this way, the commitment appropriations and appropriations for expenditure relating to general anti-fraud activities will be covered by a single OLAF budget line for the period 2007-13. This will increase transparency in terms of the allocation of funds by means of grants or public procurement contracts and confirm the emphasis placed on the quality of submissions and on selection by competition.

3. Operating grants are removed from the basic act, as no such grants were awarded under the Hercules programme 2004-06. It was thus deemed appropriate for the financial resources available to be concentrated on the promotion of activities rather than the support of organisations.

4. The **sectoral objectives** of the programme are clearly **defined**. The overall objective of the fight against fraud and any other illegal activity detrimental to the Community's financial interests is achieved through specific objectives derived from the three sectors of activity: "Technical assistance", "Training, seminars and conferences" and "Information support".

5. As a consequence of the increased efforts and commitment to combating cigarette smuggling, including the signature by the Commission and numerous Member States of an agreement with a major cigarette manufacturer, it is necessary to give a clearer expression of the objectives of the fight against cigarette smuggling and counterfeiting. The programme is thus extended to cover this objective.

6. Accession countries which signed the Treaty of Accession on 25 April 2005 and the candidate countries can participate in the programme on the basis of a memorandum of understanding to be drawn up in accordance with the respective framework agreements. Moreover, in order to promote activities combating fraud and any other illegal activities detrimental to the Community's financial interests outside the territory of the European Union, including **the fight against cigarette smuggling and counterfeiting**, expenditure relating to the participation of certain other third countries and the countries covered by the European Neighbourhood Policy is also considered eligible.

7. Continuation of the programme will consolidate the progress made so far. An extension within the framework of the 2007-13 multi-annual financial framework, or in any case beyond the three-year period covered by the HERCULES programme, will thus ensure the **continuity** and stability of the anti-fraud **activities** of the Commission (**OLAF**). The programme will be extended until 31.12.2013.

For further information concerning the financial implications of this measure, please refer to the financial statement.