










Basic information	
2006/0114(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Decision	Procedure completed
Fight against fraud: protection of the Community financial interests, Hercule II action programme 2007-2013 Amending Decision 804/2004/EC 2003/0152(COD) Subject 8.70.04 Protecting financial interests of the EU against fraud	


Key players				
European Parliament	Committee responsible		Rapporteur	Appointed
	 Budgetary Control		BÖSCH Herbert (PSE)	13/07/2006
	Committee for opinion		Rapporteur for opinion	Appointed
	 Budgets		LEWANDOWSKI Janusz (PPE-DE)	27/09/2006
Council of the European Union	Council configuration		Meetings	Date
	Environment		2812	2007-06-28
European Commission	Commission DG		Commissioner	
	European Anti-Fraud Office (OLAF)		KALLAS Siim	

Key events			
Date	Event	Reference	Summary
28/06/2006	Legislative proposal published	COM(2006)0339 	Summary
06/07/2006	Committee referral announced in Parliament, 1st reading		
20/12/2006	Vote in committee, 1st reading		
09/01/2007	Committee report tabled for plenary, 1st reading	A6-0002/2007	
13/02/2007	Decision by Parliament, 1st reading	T6-0026/2007	Summary
13/02/2007	Results of vote in Parliament		
28/06/2007	Act adopted by Council after Parliament's 1st reading		
23/07/2007	Final act signed		

23/07/2007	End of procedure in Parliament		
25/07/2007	Final act published in Official Journal		

Technical information	
Procedure reference	2006/0114(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Decision
	Amending Decision 804/2004/EC 2003/0152(COD)
Legal basis	EC Treaty (after Amsterdam) EC 280
Stage reached in procedure	Procedure completed
Committee dossier	CONT/6/38576

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee draft report		PE380.643	19/10/2006	
Amendments tabled in committee		PE380.863	09/11/2006	
Committee opinion	BUDG	PE382.216	22/11/2006	
Committee report tabled for plenary, 1st reading/single reading		A6-0002/2007	09/01/2007	
Text adopted by Parliament, 1st reading/single reading		T6-0026/2007	13/02/2007	Summary
Council of the EU				
Document type	Reference	Date	Summary	
Draft final act	03607/2007/LEX	05/09/2007		
European Commission				
Document type	Reference	Date	Summary	
Document attached to the procedure	SEC(2006)0826 	28/06/2006		
Legislative proposal	COM(2006)0339 	28/06/2006	Summary	
Commission response to text adopted in plenary	SP(2007)1040	16/04/2007		
Follow-up document	SWD(2012)0445 	11/12/2012	Summary	
Follow-up document	SWD(2013)0287 	24/07/2013	Summary	
Follow-up document	SWD(2014)0247 	17/07/2014	Summary	

Follow-up document	 COM(2015)0221	27/05/2015	Summary	
Other institutions and bodies				
Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	RCC0006/2006 OJ C 302 12.12.2006, p. 0041-0042	26/10/2006	Summary
EDPS	Document attached to the procedure	52007XX0428(1) OJ C 094 28.04.2007, p. 0001	13/11/2006	Summary

Additional information		
Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act
Decision 2007/0878 OJ L 193 25.07.2007, p. 0018 Summary

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

2006/0114(COD) - 11/12/2012 - Follow-up document

In accordance with Decision 878/2007, the Commission presents its annual overview with information on the results of the Hercule II Programme. This overview provides information on actions implemented under the 2011 Hercule II budget and monitors the results of the programme for which information on the implementation of actions was made available in 2011.

To recall, the Hercule programme was established by Decision 804/2004/EC for the period 2004-06. By Decision 878/2007/EC, the programme was extended to cover 2007-2013 as Hercule II, with a financial envelope of EUR 98.5 million and an average annual budget of around EUR 14 million.

The programme is the only instrument specifically dedicated to protecting the financial interests of the EU by supporting the fight against irregularities, fraud and corruption affecting the EU Budget.

The report demonstrates that the activities funded under the Hercule II programme were successful overall. However, a comprehensive assessment of the Hercule II programme can only be made after the programme ends in 2013. The evaluation of the programme will take place in 2014.

81.5% of the available budget for the Hercule II programme was committed. It should be noted, however, that half of the budget was spent on grant agreements, which require co-funding from national or regional authorities. Budget restrictions in Member States eventually led to the withdrawal of several successful proposals. Moreover, budgets for grants often include cost items that are not eligible for funding. This makes it difficult to achieve a higher implementation rate.

On 19 December 2011, the Commission adopted a [proposal for a new programme](#), Hercule III, under the Multi-Annual Financial Framework MFF (2014-2020). This proposal was accompanied by an impact assessment, which confirmed the need for and utility of the programme.

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

2006/0114(COD) - 24/07/2013 - Follow-up document

The present overview provides information on actions started under the 2012 Hercule II budget as well as information on the results of actions started before 2012 that were finalised in 2012. This overview is in line with Article 7 of the Decision 878/2007.

The report's **main conclusions** are as follows:

The results show that the activities covered by the annual overview 2012, and funded under the Hercule II Programme, were **overall successful**.

Budget implementation: 91% of the available budget for the Hercule II Programme was committed. It should be noted that half of the budget was spent on grant agreements, in particular technical assistance, which **require a national co-funding** of at least 50% of the eligible costs. **Budget restrictions in the Member States** eventually led to fewer applications for smaller amounts as well as the withdrawal of some successful applications.

By the end of 2011, the Commission adopted a [proposal for a new programme, Hercule III](#), under the Multi-Annual Financial Framework MFF (2014-2020). This proposal was discussed within the Anti-Fraud Working Group of the Council (GAF), which mandated the Presidency to start negotiations. The GAF generally supported the Commission's proposal, but could not reach a final position on the co-funding rates for grants and the overall amount for the programme. Parliament's report on the proposal, which was adopted in November 2012, contained 46 amendments. In 2013, Parliament, the Council and the Commission started an informal trilogue within the framework of the ordinary legislative procedure.

By **31 December 2014**, the Commission (OLAF) shall present to the European Parliament and to the Council a report on the achievement of the objectives of the programme.

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

2006/0114(COD) - 17/07/2014 - Follow-up document

This staff working document presents the annual overview with information on the results of the **Hercule II Programme in 2013**.

The report's **main conclusions** are as follows:

The results clearly show that the activities covered by the annual overview 2013, and funded under the Hercule II Programme, were **overall successful**.

Budget implementation: the available budget for the Hercule II Programme was committed **91%**. Half of the budget was spent on grant agreements, in particular technical assistance, which require a national co-funding of at least 50% of the eligible costs. Budget restrictions in the Member States eventually led to fewer applications for smaller amounts as well as the withdrawal of some successful applications.

The Commission adopted a proposal for a [new programme, Hercule III](#), under the Multi-Annual Financial Framework MFF (2014-2020). The new Hercule III Regulation was formally adopted on 26 February 2014 and entered into force on 21 March 2014. It shall apply from 1 January 2014 in order to ensure the continuity of the Programme.

By **31 December 2014**, the Commission (OLAF) shall present to the European Parliament and to the Council a report on the achievement of the objectives of the programme.

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

2006/0114(COD) - 27/05/2015 - Follow-up document

The Commission presented this report which sets out the main results of the 2007-13 Hercule II Programme¹ adopted in 2007 to promote activities to protect the European Community's financial interests.

It is based on an independent evaluation commissioned by the European Commission's Anti-Fraud Office (OLAF).

To recall, the first Hercule Programme, established by Decision No 804/2004/EC, was dedicated to protecting the EU's financial interests by supporting the fight against irregularities, fraud and corruption affecting the EU budget. In 2007, it was succeeded by Hercule II with the adoption of Decision No 878/2007/EC, which amended Decision No 804/2004/EC. In 2014, the European Parliament and the Council adopted Regulation (EU) No 250/2014 on the Hercule III Programme for 2014-2020.

Objectives of the Hercule II programme: the general objective of Hercule II was to establish a Community action programme to promote activities designed to strengthen EU action with regard to the prevention and combating of fraud affecting the financial interests of the Union, including the fight against cigarette smuggling and counterfeiting, in particular:

- enhancing transnational and multidisciplinary cooperation between Member States' authorities, the Commission and OLAF;
- building networks throughout the Member States, acceding countries and candidate countries facilitating the exchange of information, experience and best practices;
- providing technical and operational support for the law enforcement authorities of the Member States in their fight against illegal cross-border activities;
- striking a geographical balance by including, if possible, all Member States, acceding states and candidate countries in the activities financed under the Programme;
- multiplying and intensifying the measures in the areas identified as the most sensitive, particularly in the field of cigarette smuggling and counterfeiting.

Results of the evaluation: the external evaluation concluded that the Programme reached the objectives which it set out to achieve, and thus delivered its intended impact. It also concluded that the three types of activity delivered complementary and sustainable results and that implementation was efficient and achieved the desired effects at reasonable cost. However, some areas for improvement were identified; these are listed below:

(1) Impact of the programme: this could be enhanced by ensuring more personal contacts between administrations, e.g. through staff exchanges. Funding for the costs related to staff exchanges are already eligible under the specifications for training and successful exchanges took place, e.g. between Italy and Bulgaria in 2010. The Commission will encourage and promote exchanges of staff at different levels of national and regional

administrations in neighbouring Member States to improve cooperation on cross-border operations and investigations. In order to increase the cost-efficiency and quality of training funded under the Programme, the Commission will examine other possibilities for training and staff exchange, such as closer cooperation within existing European networks of national forensic institutes and judicial training organisations.

(2) Access to data: distributing access to databases through national contact points has not ensured that all relevant Member State authorities benefit. As the access rights are limited, the national contact points have to prioritise when awarding access to national and regional administrations. The Commission will undertake a careful review of the current users' information requirements, together with an examination of the information sources available on the market in order to better match the former's requirements to the available information sources.

(3) Equipment: varying experiences as regards the efficiency of project management suggest that there may be advantages to be gained from sharing experience between Member States on the type of equipment used and how it is procured. The Commission selects applications on the basis of cost-efficiency and on several occasions it invited applicants to review the costs in the light of best practice and prices in other Member States, in particular for expensive equipment such as X-ray scanners or ANPRs. It will further encourage the exchange of best practice, in particular in the context of cross-border projects combining several Member States' efforts to protect the Union's financial interests.

(4) Monitoring: the Commission's ability to monitor the results and impacts of the activities funded could be improved in order to better demonstrate the added value of Hercule funded actions in relation to the fight against and prevention of activities detrimental to the Union's financial interests, in particular **cigarettes smuggling and counterfeiting**.

(5) Planning: while efforts have been made to coordinate the planning of the different Union's programmes in the area of e.g. customs, more could be done to enhance cooperation between the Commission's services to benefit from synergies between programmes and to prevent overlaps. The Commission will continue its internal coordination activities to take advantage of synergies between Union Programmes and to prevent overlaps from occurring. Moreover, a further simplification and streamlining of activities needed for the implementation of the Programme will be examined to reduce efforts and costs for the Programme's beneficiaries as well as the Commission's services.

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

2006/0114(COD) - 13/02/2007 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Herbert **BÖSCH** (PSE, AT) on the proposal regarding the Hercules II programme, an agreed with its competent committee on the amendments necessary to the proposal. They may be summarised as follows:

- **new objectives for the programme, namely:** i) enhancing transnational and multidisciplinary cooperation between Member States' authorities, the Commission and OLAF; ii) building networks throughout the Member States, acceding countries and candidate countries, facilitating the exchange of information, experience and best practice, while also respecting the distinct traditions of each Member State; iii) providing technical operational support for national law enforcement authorities of the Member States in their fight against illegal cross border activities, emphasising support for customs authorities; iv) without undermining operational effectiveness, striking a geographical balance by including, if possible, all Member States, acceding countries and candidate countries in the activities financed under the programme; v) multiplying and intensifying the measures in the areas identified as the most sensitive, particularly in the field of cigarette smuggling and counterfeiting;

- **the programme will be implemented through three new kinds of activity:** technical assistance for national authorities : providing specific knowledge, equipment and IT tools facilitating transnational cooperation and cooperation with OLAF; support for joint operations; enhancing staff exchanges;

training : fostering better understanding of Community and national mechanisms; exchanging experience between the relevant authorities in the Member States, acceding countries and candidate countries; coordinating the activities of Member States, acceding countries, candidate countries and third countries; disseminating knowledge, particularly of an operational nature; supporting high-profile research activities, including studies; improving cooperation between practitioners and academics; raising the awareness of the judiciary and other legal professions for the protection of the financial interests of the Community; information support : developing and providing specific databases and IT tools facilitating data access and analysis; increasing data exchange; developing and providing IT tools for investigations, monitoring and intelligence work.

Parliament also wished to broaden the **types of bodies having access to the programme:** all national or regional administrations of a Member State or a country outside the Community, which promote the strengthening of Community action to protect the Community's financial interests; research and educational that promote the strengthening of Community action to protect the Community's financial interests; and non-profit-making bodies that promote the strengthening of Community action to protect the Community's financial interests.

Eligible expenditure will include expenditure in connection with the participation of representatives of the Balkan countries forming part of the stabilisation and accession process for countries of south-eastern Europe, the Russian Federation, the countries covered by the European Neighbourhood Policy, and certain countries with which the Community has concluded an agreement for mutual assistance in customs matters.

Parliament stated that applications for grants for activities shall be assessed in the light of: consistency of the proposed activity in relation to the objectives of the programme; complementarity of the proposed activity with other assisted activities; feasibility of the proposed activity, i.e. the real possibility that it can be carried out using the proposed means; the cost-benefit ratio; the added utility of the proposed activity; size of public targeted by the proposed activity; transnational and multidisciplinary aspects of the activity; geographic scope of the proposed measure.

A new clause is inserted regarding checks and audits. It should be noted that the Annex was deleted.

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

2006/0114(COD) - 26/10/2006 - Court of Auditors: opinion, report

Opinion 6/2006 from the European Court of Auditors on the proposal for a Decision by the European Parliament and the Council amending and extending Decision 804/2004/EC establishing a Community action programme "Hercule II".

In its Opinion, the Court makes the following assessments:

- The main programme sectors namely, technical assistance, training activities and information exchange between legal authorities in the fight against fraud, have not been evaluated according to the terms of Article 27 (3) of the Financial Regulation, which require achievement of the objectives to be monitored by performance indicators. Instead activities have been judged in terms of activity level, without measurable indicators. As a result, the achievement of the expected results and the impact of the programme remain difficult to determine.
- Article 7 (a) of the proposal provides for a report by OLAF on the implementation of the programme and the appropriateness of continuing it by 31 December 2010. Article 7 (b) postpones the evaluation of the achievement of the programme until 31 December 2014. The Court considers that to be too late and therefore suggests that an independent evaluation should be delivered no later than 2010 and should include intermediate evaluation of the programme's achievements and objectives. Furthermore, information on action financed, and the results obtained in the framework of the Hercule II programme, should be presented in the annual report submitted by the Commission.
- The public contracts referred to in Title V of the Financial Regulation offer OLAF the possibility of managing the programme. This procedure is welcomed as a means of enabling the Office to have greater control over the implementation of the programme.

The structure of the programme, as set out in the legislative financial statement, is expressing operational objectives, which themselves are broken down into activities. On the face of it this structure meets the requirements of the Financial Regulation. However, the structure in the legislative statement does not correspond to the programme's management structures. The appointment of a programme co-ordinator is not likely to clarify the achievement of objectives that are both formal and diverse or of activities which do not correspond to the practical reality of management. The Court, therefore, considers it advisable for the stated objectives to be reformulated and linked more closely to the aims pursued by the managers. If this is not done performance indicators are likely to prove very difficult to put in place.

- Following action taken by OLAF in the fight against cigarette smuggling, an agreement was reached in June 2004 between the Commission, ten Member States and a major manufacturer of tobacco. Under this agreement, the manufacturer agreed to pay the sum of approximately \$ 1 250 million over a period of 12 years. This sum, which the Commission shares with the countries who signed the agreement, is intended to prove an additional source of funding for combating smuggling and counterfeiting. The annual budget of the Hercule II programme includes approximately EUR 6 million by virtue of the agreement. While the provision of additional funds to combat fraud in the tobacco sector is to be welcomed, the Court considers it appropriate that measures should be taken to ensure that adequate resources are available for the fight against fraud in other equally sensitive sectors.

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

2006/0114(COD) - 13/11/2006 - Document attached to the procedure

OPINION OF THE EUROPEAN DATA PROTECTION SUPERVISOR on the Amended Proposal for a Regulation of the European Parliament and of the Council on mutual administrative assistance for the protection of the financial interests of the European Community against fraud and any other illegal activities.

The Amended Proposal for a Regulation on mutual administrative assistance for the protection of the financial interests of the EC against fraud and any other illegal activities sets forth communication and assistance procedures between the Commission and Member States in order to protect the Community financial interests. Such procedures include mutual administrative assistance as well as exchange of information. In this context, the Amended Proposal establishes the role of the Commission, particularly through the European Antifraud Office ('OLAF'), as a coordinator and facilitator of the above mentioned procedures.

This opinion comprises **additional advice** on the Amended Proposal, given that the EDPS already gave its first opinion in October 2004.

The EDPS considers that the Amended Proposal does not include new rules on data protection nor exceptions to the existing data protection framework, namely [Directive 95/46/EC](#) and [Regulation \(EC\) No 45/2001](#).

Nevertheless, the EDPS notes that whether such standards of data protection will indeed be maintained will depend on the specific content of implementing legislation for which the Amended Proposal creates a legal basis. Since implementing legislation will be crucial for the protection of personal data in this context, the EDPS particularly welcomes the inclusion in the Amended Proposal of the obligation to consult him on the drafting of such implementing legislation.

It suggests some overall improvements to the proposed text which may be summarised as follows:

Clarification of Article 17.1: the EDPS notes that at least in one case, the Amended Proposal contains a provision which may have a negative effect as far as the protection of personal data is concerned. As in 2004, the EDPS suggested adding the following sentence at the end of Article 17.1., second paragraph: 'This shall not affect the rights of data subjects to have access to personal data relating to them, in accordance with Directive 95/46 and Regulation (EC) No 45/2001'.

Proposal for alternative language: the EDPS welcomes the fact that the Amended Proposal takes into account some of the remarks made by the EDPS in his opinion of 2004. It requested simply that the following sentence be included in the Preamble of the Proposal: 'After consulting the European Data Protection Supervisor', in line with standard practice'.

In summary, besides the abovementioned amendments, the EDPS is satisfied with the content of the Amended Proposal and does not see the need for additional changes to it.

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

2006/0114(COD) - 23/07/2007 - Final act

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.

LEGISLATIVE ACT: Decision No 878/2007/EC of the European Parliament and of the Council amending and extending Decision No 804/2004/EC establishing a Community action programme to promote activities in the field of the protection of the Community's financial interests (Hercule II programme).

BACKGROUND: 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 from 2007 to 2013.

CONTENT: the Council adopted at first reading, **following an agreement with the European Parliament**, a Decision establishing a Community action programme to promote activities in the field of the protection of the Community's financial interests (Hercule II programme). This Decision amends and extends Decision No 804/2004/EC.

The new programme will cover all operational expenditure relating to the Commission's (OLAF's) general anti-fraud activities in a single basic act.

Objectives of the programme: at the request of the European Parliament, new objectives have been included. The programme shall promote activities according to the general criteria set out in the Decision. It will focus on the following objectives in particular:

- (a) enhancing transnational and multidisciplinary cooperation between Member States' authorities, the Commission and OLAF;
- (b) building networks throughout the Member States, acceding countries and candidate countries - in accordance with a memorandum of understanding - facilitating the exchange of information, experience and best practices, while also respecting the distinct traditions of each Member State;
- (c) providing technical and operational support for the law enforcement authorities of the Member States in their fight against illegal cross border activities, emphasising support for customs authorities;
- (d) without undermining operational effectiveness, striking a geographical balance by including, if possible, all Member States, acceding countries and candidate countries - in accordance with a memorandum of understanding - in the activities financed under the programme;
- (e) multiplying and intensifying the measures in the areas identified as the most sensitive, particularly in the field of cigarette smuggling and counterfeiting

The programme shall be implemented through certain specified activities, which include technical assistance for national authorities; training, seminars and conferences; and support through the development of certain IT tools.

Community funding may take the form of grants or public procurement contracts.

The following **bodies are eligible for Community funding** under the programme:

- (a) all national or regional administrations of a Member State or a country outside the Community, which promote the strengthening of Community action to protect the Community's financial interests;
- (b) all research and educational institutes that have had legal personality for at least one year, are established and operating in a Member State or in a country outside the Community, and promote the strengthening of Community action to protect the Community's financial interests;
- (c) all non-profit-making bodies that have had legal personality for at least one year, are established and operating in a Member State or in a country outside the Community, and promote the strengthening of Community action to protect the Community's financial interests.

Eligible expenditure includes expenditure in connection with the participation of representatives of the Balkan countries forming part of the stabilisation and association process for countries of south-eastern Europe, the Russian Federation, the countries covered by the European Neighbourhood Policy, and certain countries with which the Community has concluded an agreement for mutual assistance in customs matters.

Applications for grants for activities shall be assessed in the light of: the consistency of the proposed activity in relation to the objectives of the programme; the complementarity of the proposed activity with other assisted activities; the feasibility of the proposed activity, i.e. the real possibility that it can be carried out using the proposed means; the cost-benefit ratio of the proposed activity; the added utility of the proposed activity; the size of the public targeted by the proposed activity; the transnational and multidisciplinary aspects of the proposed activity; and the geographic scope of the proposed activity.

Monitoring and evaluation: the Commission (OLAF) shall provide annual information on the results of the programme to the European Parliament and to the Council. Information on consistency and complementarity with other programmes and activities at European Union level shall be included. An independent assessment of the implementation of the programme, including an examination of performance and the achievement of the objectives of the programme, shall be carried out by 31 December 2010. By 31 December 2014, the Commission (OLAF) shall present to the European Parliament and to the Council a report on the achievement of the objectives of the programme.

The programme is extended from 1 January 2007 and will end on 31 December 2013.

The financial envelope for the implementation of the programme for the period 2007 to 2013 shall be **EUR 98 525 000**.

ENTRY INTO FORCE : 26/07/2007.

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.