

OLAF completes investigation into suspected serious irregularities in EU-funded procurement of power generators for Ukraine

The European Anti-Fraud Office (OLAF) has recommended the financial recovery of over EUR 91 million that were intended for the purchase and delivery of power generators to areas in Ukraine affected by power shortages.

OLAF completed in June 2024 its investigation into alleged serious breaches of procurement rules, transparency, and financial management in a EUR 114 million EU-funded project managed by Poland's Government Agency for Strategic Reserves (RARS).

On top of the EU 91 million recommended for recovery, an additional EUR 22 million have been safeguarded from being unduly spent, allowing them to reach those in need of assistance. During the case, OLAF closely cooperated with the Central Anti-Corruption Bureau (CBA) and the Polish Public Prosecutor's Office, leading to the arrest of at least three individuals.

"We need every euro of EU support to Ukraine to reach those in need and guarantee that our taxpayers' money is duly spent. Protecting EU aid to Ukraine, not only guarantees our taxpayers' money is duly spent but is also a matter of our security. Thanks to our strong cooperation with the CBA and the Polish Prosecutor's Office, we have successfully safeguarded the EU's financial interests," said Ville Itälä, OLAF Director-General.

Overpricing, lack of competition and undue advantages

The evidence gathered during OLAF's investigation, which began in July 2023, revealed overpricing, lack of competition and undue advantages given to certain contractors. RARS at the time refused to cooperate with OLAF during the investigation despite their obligations under the EU grant agreement signed in January 2023.

However, OLAF's investigation was able to establish that RARS' procurement process violated transparency, competition, equal treatment, and financial management principles. According to the findings of the investigation, contracts

were awarded in a non-competitive manner, failing to ensure that the EU funds would reach their intended destination.

OLAF also gathered evidence indicating that RARS granted undue advantages to contractors by issuing large advance payments without sufficient guarantees, exposing EU funds to significant financial risks.

OLAF found that some contractors charged RARS up to 40% more than their purchase costs, leading to substantial overpricing of the EU-funded generators.

OLAF mission, mandate and competences:

OLAF's mission is to detect, investigate and stop fraud with EU funds.

OLAF fulfils its mission by:

- carrying out independent administrative investigations into fraud and corruption involving EU funds, so as to ensure that all EU taxpayers' money reaches projects that can create jobs and growth in Europe;
- contributing to strengthening citizens' trust in the EU Institutions by investigating serious misconduct by EU staff and members of the EU Institutions;
- developing a sound EU anti-fraud policy.

In its independent investigative function, OLAF can investigate matters relating to fraud, corruption and other offences affecting the EU financial interests concerning:

- all EU expenditure: the main spending categories are Structural Funds, agricultural policy and rural development funds, direct expenditure and external aid;
- some areas of EU revenue, mainly customs duties;
- suspicions of serious misconduct by EU staff and members of the EU institutions.

Once OLAF has completed its investigation, it is for the competent EU and national authorities to examine and decide on the follow-up of OLAF's recommendations. All persons concerned are presumed to be innocent until proven guilty in a competent national or EU court of law.

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