

# OLAF and Guardia di Finanza Detect Large-Scale Fraud in the EU's Research and Innovation Fund



## News

**Thomas Wahl**

On 16 February 2018, OLAF reported a successful strike against an intricate fraud scheme that siphoned off more than €1.4 million from the EU's Research and Innovation fund. An Italian-led consortium set up the fraud scheme, with alleged partners in France, Romania, and the UK. The funds were initially received in order to develop two hovercraft prototypes for nautical emergency purposes. However, OLAF investigators, in close cooperation with the Guardia di Finanza in Italy, discovered that the Italian beneficiaries had neither the structural nor the economic conditions to carry out the project. Instead, they used artificial accountings to siphon off money, claiming false expenses.

The investigation was named “[Operation Paper Castle](#)” because part of the EU money received was used to redeem a mortgage on a castle face with foreclosure. In addition, the UK partner company only existed on paper and was owned by the Italian partner.

As a result of the investigations, OLAF send two judicial recommendations, one to the Public Prosecutor's Office of Genoa and another to the City of London Police in the UK as well as a financial recommendation to the Directorate-General for Research and Innovation of the European Commission. The project leader is facing charges of embezzlement and fraud against the EU, false accounting, fraudulent bankruptcy, and fraudulent statements in Italy.

OLAF stressed that the operation is the result of a close and constant cooperation with law enforcement authorities in the different EU Member States. It also showed that OLAF plays a decisive role in fraud cases of a transnational nature, as it was able to map out and put an end to the fraudulent activities.

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