

Policy Brief

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The Role of OLAF and EPPO in the Western Balkans

Combating Fraud Ahead of EU Membership

Despite having an EU perspective since 2003, the Western Balkans continues to face persistent corruption-related challenges, underscoring the need for stronger oversight mechanisms. As reflected in the [2024 Corruption Perceptions Index](#), Montenegro ranks as the least corrupt country among the Western Balkans Six (WB6) at 65th place globally, followed by Kosovo (73), Albania (80), North Macedonia (88), Serbia (105), and Bosnia and Herzegovina (114), which ranks the lowest. Although some countries have registered modest improvements in recent years², others still struggle with long-standing problems such as weak institutions, limited oversight, and poor governance practices. These issues continue to slow institutional development and undermine public trust. These risks are not just abstract. The tragic [canopy collapse](#) in Novi Sad on 1 November 2024 further highlighted the consequences of unchecked corruption, weak procurement oversight, and misuse of funds. As the WB6 advance on their path toward EU membership, in particular Montenegro and Albania as frontrunners, the urgency of strengthening cooperation with European anti-fraud bodies becomes increasingly important. Against this backdrop, this paper seeks to assess the current state of cooperation between the WB6 and [the European Anti-Fraud Office \(OLAF\)](#) and [the European Public Prosecutor's Office \(EPPO\)](#).



Although the role of these institutions is essential in safeguarding EU financial interests, their work remains largely unknown in the region and even underexplored in the existing analyses. Accordingly, and in line with the ongoing attempts to gradually integrate the region with the EU even before membership, the paper examines both the extent of existing engagement between these bodies and regional authorities and the prospects for its further enhancement. The research drew on an in-depth review of publicly available reports and documents, complemented by interviews with representatives of OLAF and the EPPO, as well as Western Balkan officials working in the area of anti-corruption. This multilayered approach ensured a comprehensive, evidence-based analysis that informed the development of policy recommendations intended to guide key stakeholders and raise awareness among the wider public. The basic argument is that deeper engagement with the OLAF and the EPPO is essential, not only to protect EU financial interests but also to reinforce the rule of law and enhance public confidence in these countries as they prepare to assume obligations of EU membership.

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² Montenegro, Kosovo, Bosnia and Herzegovina

From OLAF administrative investigations...

Although the European Anti-Fraud Office itself does not have prosecutorial powers and cannot initiate court proceedings, it plays an important role in the EU's anti-corruption efforts. Being an independent investigative body attached to the European Commission, it was established in 1999 by Commission [Decision 1999/352](#) based on [Article 325](#) of the Treaty on the Functioning of the European Union (TFEU). With its current legal framework defined by [Regulation 883/2013](#), as amended by [Regulation 2020/2223](#), OLAF's primary mandate is to *detect, investigate, and prevent* fraud, corruption, and other illegal activities affecting the financial interests of the EU. It operates by conducting independent on-site *administrative investigations*, hearings, and audits across *all* member states, wherever EU funds are suspected of being affected. Once OLAF completes its investigation, it is up to the competent EU and national authorities to examine and decide on the follow up of OLAF's recommendations. As the OLAF interviewee pointed out, for instance, upon revealing an instance of fraud, it issues recommendations to the European Commission, which could then issue a recovery order or blockage of the rest of the committed funds. In addition, OLAF [consults and coordinates closely](#) with the EPPO, which is in charge of criminal investigation and prosecution. In practice, each can refer information to the other, based on which a case can be opened. Taken together, these functions make OLAF a central mechanism for identifying vulnerabilities in the management of EU funds and ensuring that corrective action can be taken by the appropriate authorities.

Importantly, OLAF's work does not end at the EU's borders. Being mandated to protect and facilitate the recovery of EU funds *wherever* they can be traced, OLAF has the capacity to operate effectively in the Western Balkans *even before accession*. Its engagement is primarily grounded in Article 50 of the [Framework Agreement](#) on the Instrument for Pre-Accession Assistance (IPA), which provides a legal basis for anti-fraud cooperation and gives OLAF authority to conduct independent investigations in countries receiving IPA funds. To ensure two-way communication, in line with Article 50(2) of the IPA agreement and [requirements under Chapter 32 \(Financial Control\)](#), each WB country (except [Bosnia and Herzegovina](#) and [Kosovo](#)) has designated an Anti-Fraud Coordination Service (AFCOS) within its Ministry of Finance. This is to serve as the national point of contact and coordination mechanism for OLAF when investigating misuse of IPA funds. The cooperation of this kind extends to the funds slated for the region under the Reform and Growth Facility (Chapter IV of the [Regulation](#)). Therefore, in light of such a legal framework, OLAF has the foundation from which it can work on safeguarding EU funds and contribute to the promotion of the rule of law in candidate countries, which further reinforces pre-accession accountability and alignment with EU standards.

Far from staying on the sidelines, OLAF has already played an active and impactful role in investigating fraud and safeguarding EU funds in the Western Balkans. Between [2014 and the end of 2024](#), OLAF conducted a total of 71 investigations across the region, with the highest number in North Macedonia (27), followed by Serbia (20) (see Table 1). From 2022 to 2024 alone, OLAF issued 12 recommendations based on 22 completed investigations (see Table 2).³ Notably, in Albania, following an OLAF investigation which uncovered the misuse of 33 million euros, the European Commission intervened [to block €122 million of IPARD III](#) agricultural funding, while in 2024, in North Macedonia, the Commission requested the [reimbursement of €2.2 million](#) due to Erasmus+ programme irregularities dating back to 2016–2018. Beyond financial fraud involving the misuse of EU funds, OLAF's actions have also contributed to the prevention of cigarette and waterpipe tobacco smuggling, and the seizure of illegal drugs, as well as the detection of irregularities in public tenders – as seen in the case of [Bosnia and Herzegovina](#). These examples demonstrate that OLAF's work in the region yields tangible results, which, by extension, set clear expectations and standards for countries on the path to membership.

Table 1 - Number of OLAF investigations between 2014 and 2024

Albania	Bosnia and Herzegovina	Kosovo	Montenegro	North Macedonia	Serbia
6	7	6	5	27	20

Source: Authors' own compilation of cases from OLAF annual reports

3 This period was singled out as OLAF reports had not been sharing the number of actual recommendations per year in years beforehand.

Table 2 – Ratio between the Number of Investigations and Recommendations issued between 2022 and 2024

	Investigations	Recommendations
Albania	3	2
Bosnia and Herzegovina	4	4
Kosovo	0	0
Montenegro	4	1
North Macedonia	8	4
Serbia	2	1
Total	22	12

Source: Authors' own compilation of cases from OLAF annual reports⁴

In addition to its investigative role, OLAF works on the protection of the EU's financial interests in the Western Balkans through a range of various capacity-building and cooperation activities. For instance, in 2022, representatives of the Western Balkan countries participated in a [joint conference](#) alongside AFCOS units from EU Member States, aimed at fostering collaboration and exchanging good practices. This was followed by a dedicated [workshop](#) in Belgrade in 2023, where OLAF and WB6 authorities discussed cooperation on fraud investigations and their linkages to national criminal proceedings. Moreover, in April 2025, Serbia's Ministry of Finance held a [joint session](#) with OLAF in Brussels to strengthen efforts in combating fraud and to improve the use of EU financial reporting tools. Moreover, OLAF also provides [annual digital forensics training](#) for law enforcement officers from both EU Member States and candidate countries, contributing to the region's operational capacity. However, despite these efforts, several challenges remain. The Commission's [2025 annual reports](#) continue to stress the need for closer cooperation with OLAF across the region, alongside stronger efforts to combat customs fraud, in particular the smuggling of tobacco products. Strengthening candidates' anti-fraud capacities is thus essential to improve fraud prevention, align with the EU acquis, and accelerate the accession process.

...to EPPO criminal prosecutions

While OLAF uncovers administrative fraud affecting EU funds, it is the European Public Prosecutor's Office (EPPO) that transforms those findings into prosecutorial action, making it the EU's most powerful tool for *enforcing accountability*. With its legal foundation rooted in Article 86 of the TFEU, the EU adopted a [Regulation](#) on its establishment in 2017, the first European Chief Prosecutor, [Laura Kövesi](#), was appointed in 2019, [European Prosecutors](#) – one for each of the participating EU Member States – were appointed in 2020, and the EPPO officially became operational in 2021. Deriving its prosecutorial competence from [Regulation 2017/1371](#) on the protection of the Union's financial interests, it is tasked, as a fully independent institution, with investigating and prosecuting *criminal offences*, such as fraud, corruption, and cross-border VAT fraud affecting the EU's financial interests. As such, it represents a form of enhanced cooperation, meaning participation is voluntary for EU member states. As of 2025, 24 EU Member States have [joined](#) the EPPO, while Denmark, Ireland, and Hungary remain outside the framework but maintain structured cooperation.⁵ With such reach, it combines European and national law-enforcement efforts in a unified approach, aiming to ensure consistent prosecution of crimes affecting the EU's financial interests and to strengthen cooperation with national judicial systems.

Although the EPPO is primarily intended to operate in participating member states, specific legal provisions nonetheless give it jurisdiction over offences committed even outside the EU. Under Article 23 of the EPPO Regulation, the institution can exercise competence over offences:

- a) committed in whole or in part within the territory of one or several Member States;
- b) when the suspect is a national of a participating Member State whose national law allows for extraterritorial prosecution; and
- c) were committed by EU staff outside the EU, again provided that national law grants extraterritorial prosecution.

⁴ The research could not determine the exact number of recommendations issued by OLAF prior to 2022, as several countries were grouped together in the annual reports. These reports presented only the total number of recommendations for each group, rather than providing country-specific figures.

⁵ Out of all EU Member States, so far, Hungary decided not to join the EPPO. Denmark and Ireland have an opt-out from the area of freedom, security and justice (AFSJ).

Accordingly, the EPPO has jurisdiction if the offence is committed outside the EU by an EU national or an EU official or if any constituent element of the offence is committed within the territory of a participating member state. As pre-accession funds are normally disbursed to the Western Balkans from the territory of Belgium or Luxembourg, there is jurisdiction of those two member states and therefore competence for the EPPO to address offences which might have taken place [in any candidate country](#) (see Table 3). In other words, any EU-funding-related fraud by the candidates may be treated as if part of the criminal conduct occurred in the EU, since the financial damage is suffered by the EU institutions located there, thereby establishing the *extra-territorial jurisdiction* that grants EPPO competence in EU candidate countries.

Table 3. EPPO's Investigation Orders and Mutual Legal Assistance Requests

	2021	2022	2023	2024	Total
Albania	1	1	0	3	5
Bosnia and Herzegovina	1	2	4	3	10
Kosovo	0	0	0	0	0
Montenegro	0	0	3	0	3
North Macedonia	0	0	0	0	0
Serbia	1	1	1	3	6

Source: Authors' own compilation of cases from EPPO's annual reports

If a candidate country refuses to cooperate with the EPPO – on grounds of sovereignty, for instance – this does not diminish the fact that the EPPO has jurisdiction; it only prevents the EPPO from exercising that jurisdiction. As the EPPO interviewee clarifies, when that happens, the candidate must rely on the recognised grounds for refusal and provide a formal explanation to the Commission. In those circumstances, Article 129 of the [2018 Financial Rules Regulation](#) becomes particularly relevant, as it obliges any recipient of EU funds to grant EPPO the necessary rights of access, reinforcing its investigative reach beyond participating member states. This article is highlighted by the regulation establishing the [Reform and Growth Facility](#) for the Western Balkans, which adds that the EPPO should be informed of all suspected cases of irregularities, fraud, corruption and conflicts of interest affecting the implementation of funds under the Facility without delay. In addition, the [1959 European Convention on Mutual Assistance in Criminal Matters](#) enables European Delegated Prosecutors⁶ – acting in their capacity as national prosecutors – [to request legal assistance](#) in criminal matters from candidate countries. Although all these provisions create a clear expectation of compliance, the EPPO can only bring indictments before the courts of participating EU member states. In case of non-cooperation, it would fall to the Commission to inform the Council and, together with the member states, consider whether and how to step up political pressure on the candidate in question to ensure its effective cooperation.

Despite these jurisdictional links and cooperation requirements, the EPPO offers possibilities for stronger involvement of candidate countries even prior to EU accession. Although EPPO membership is reserved exclusively for EU Member States through the mechanism of enhanced cooperation – leaving no legal basis for non-members to join or hold observer status – Article 99 allows the EPPO to establish *working arrangements* with third countries. By October 2025, with the exception of Serbia and Kosovo, other countries such as [Montenegro](#), [Albania](#), [North Macedonia](#), and [Bosnia and Herzegovina](#) have concluded working arrangements with EPPO through their national prosecutorial bodies. Importantly, the signed arrangements point to the following obligations of the parties:

1. *Exchange strategic information* to ensure effective investigation and prosecution
2. Provide each other with “the widest possible cooperation” for *gathering evidence*.
3. Cooperate in matters related to the *freezing of assets*.
4. Set up *joint investigation teams* where appropriate.
5. Agree on modalities of cooperation in *extradition cases*.
6. Conclude arrangements for the EPPO to provide office space, technical equipment and the necessary

⁶ [European Delegated Prosecutors](#) are the prosecutors who investigate, prosecute and bring to judgment cases falling within the EPPO's competence on behalf of the EPPO in his/her home Member State.

logistical support for a seconded liaison officer.

7. Organise *high-level meetings* between the European Chief Prosecutor and the national prosecutor of the country concerned.
8. Hold *technical meetings* at both operational and administrative levels.
9. Cooperate in organising *joint training sessions*.
10. Ensure *EPPO support to national authorities* in exercising their functions, particularly through the provision of expertise and know-how.

As the EPPO interviewee explained, these arrangements serve to clarify for national authorities the legal basis underpinning the EPPO's actions in third countries, establish contact points, strengthen domestic capacities, and, ultimately, promote deeper cooperation grounded in mutual trust. Although such arrangements fall within the realm of soft law and the EPPO can operate without them, their conclusion nevertheless smooths its work. If all countries in the region were to finalise these arrangements, it would send a very strong political signal of their genuine commitment to combating corruption in the eyes of the EU.

In practical terms, these legal and institutional arrangements have already translated into a growing operational footprint of the EPPO in the Western Balkans, most visibly through several high-profile investigations into the misuse of EU funds. One prominent case concerns the renovation of the Novi Sad railway, where EPPO [opened an investigation](#) due to the high level of public interest and suspicions surrounding the use of EU funds. In another case, a company based in Austria, working with subcontractors in [North Macedonia](#), allegedly submitted inflated bids for EU-funded tenders. EPPO, acting through Eurojust, requested mutual legal assistance, and North Macedonian authorities provided bank records and witness testimonies in support of the investigation. Additionally, in May 2025, upon the request of the EPPO, [Montenegro froze assets](#), a villa, and company shares of the ex-deputy director of the largest medical institution in the Czech Republic, suspected of being part of a group accused of corruption, subsidy fraud, harming the EU's financial interests, and money laundering. As the Western Balkans move closer to EU accession and the flow of EU funds increases, it is reasonable to expect that EPPO's operational presence in the region will continue to expand, reinforcing the importance of deeper judicial cooperation and alignment with EU anti-fraud standards.

Moving forward

As the EU prepares its next cycle of financial assistance for candidate countries under the Multiannual Financial Framework (MFF 2028–2034), it is essential to strengthen OLAF's already active role in the Western Balkans and to strategically enhance cooperation with the EPPO within the existing legal boundaries. According to the Commission's proposal, the "Enlargement and Neighbourhood East Area" section of the new MFF amounts to around €43.2 billion under the "Global Europe" heading. If, as [expected](#), the vast majority of this sum is made available to the region, assuming reform conditions are met, it would represent a significant increase compared with current pre-accession funding (totalling €12.2 billion). The increased funding creates a greater need for close monitoring and robust fraud-prevention mechanisms. This heightened financial engagement also reinforces the need for candidate countries to demonstrate credible progress in safeguarding EU financial interests.

Accordingly, to safeguard the integrity of pre-accession funding and ensure alignment with the EU's anti-fraud and anti-corruption standards in the coming period, it will be of utmost importance for the region to strengthen and expand its cooperation with the two bodies. This will require tangible improvements in institutional capacity, legal harmonisation, and structured operational collaboration with both bodies. With some candidates, particularly Montenegro and potentially Albania, expected to join the EU during the upcoming financial cycle, the gradual strengthening of anti-fraud systems becomes not only a technical requirement but also a way to build trust with member states in a timely manner. Overall, as anti-fraud policies are part of Chapter 32, a chapter belonging to the Fundamentals Cluster, while being interlinked with, among others, Chapter 29 (*Customs Union*), Chapter 23 (*Judiciary and Fundamental Rights*), and Chapter 24 (*Justice, Freedom and Security*), strengthening cooperation with OLAF and the EPPO becomes essential for demonstrating credible progress across the wider rule-of-law and governance framework that underpins the accession process.

Recommendations

1. **Integrate cooperation with OLAF and the EPPO into EU accession benchmarks:** Make measurable cooperation with OLAF and the EPPO an explicit benchmark under Chapter 32. This would send a clear signal that engagement with EU anti-fraud bodies is not optional but central to accession. At the same time, this would also ensure that governments fully comprehend the implications of failing to cooperate and take corrective measures in a timely manner.
2. **Improve the Commission's reporting on candidates' cooperation with the bodies:** Although cooperation with OLAF and the EPPO is mentioned in most of the Commission's annual reports, the references are often vague and insufficiently detailed. The Commission should introduce precise, comparable indicators on case referrals, responsiveness to information requests, and follow-up to OLAF and EPPO recommendations. Such reporting would enhance transparency, allow for more accurate tracking of progress, and strengthen the EU's and local citizens' ability to hold candidate countries accountable.
3. **Strengthen AFCOS capacity across the WB6:** Increase targeted financial and technical support to reinforce the staffing, training, and operational capabilities of AFCOS units across the region, particularly in under-resourced countries where investigative capacity remains limited. In parallel, insist that Bosnia and Herzegovina and Kosovo establish fully functioning AFCOS offices as a matter of urgency, given their central role in facilitating cooperation with OLAF and ensuring the effective oversight of pre-accession funds.
4. **Insist on full institutional cooperation with the EPPO:** Make clear that those without working arrangements – specifically Serbia and Kosovo – must prioritise the legislative and institutional reforms required to establish formalised cooperation with the EPPO. For countries with agreements already in place, structured implementation plans, including clear timelines and milestones, should be introduced. Additionally, further facilitate the secondment of liaison officers from WB6 to the EPPO, thereby strengthening operational links, improving information exchange, and fostering institutional familiarity ahead of accession.
5. **Keep the candidate's cooperation with the bodies more transparent:** OLAF and the EPPO should develop publicly available annual reports that provide detailed assessments of their cooperation with Western Balkan authorities, including statistics on case exchanges, responsiveness, and obstacles encountered. Such reporting would allow both EU institutions and local citizens to monitor the practical impact of working arrangements, identify gaps in implementation, and request targeted improvements in anti-fraud cooperation.
6. **Make EPPO membership a binding clause in future accession treaties:** Ensure that future member states join the EPPO immediately upon the entry into force of their accession treaties. While current member states could decide whether to opt in, ongoing challenges with post-accession backsliding in some member states highlight the need for stronger safeguards. Requiring future members to participate in the EPPO from day one would guarantee uniformity in the protection of EU financial interests and prevent a contraction of the EPPO's territorial reach as enlargement progresses.
7. **Promote public visibility of anti-fraud reporting tools and OLAF and EPPO efforts:** Enhance public understanding of the EU's role in combating corruption by widely promoting the anonymous reporting platforms, such as the [OLAF Fraud Notification System](#) and the [EPPO Report a Crime Platform](#) and OLAF's Fraud Notification System. In addition, there is a strong need to incorporate the results of OLAF and EPPO investigations into EU communication campaigns aimed at citizens of candidate countries, thereby strengthening public trust and reinforcing accountability narratives.



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