



**To: European Anti-Fraud Office / Europski ured za borbu protiv prijevara (OLAF)
European Court of Auditors / Europski revizorski sud (ECA)**

**Complaint regarding irregularities in the implementation of EU-funded project IP.2.1.14 –
Reconstruction of Trg bana Josipa Jelačića, Karlovac, Croatia**

*Submitted by Eko Pan, Association for Environmental and Nature Protection, on behalf of
the Citizens' Initiative "Ne damo ni lipe" (We Are Not Giving Up on Our Linden Trees),
Karlovac, Croatia*

1. Introduction and subject of Complaint

Eko Pan (Pan, udruga za zaštitu okoliša i prirode / Association for Environmental and Nature Protection), coordinated by the Citizens' Initiative "Ne damo ni lipe", hereby submits a formal complaint concerning **serious irregularities in the preparation, assessment, and implementation** of the EU-funded project "ITU - Reconstruction of Trg bana Josipa Jelačića and improvement of urban mobility in Zvijezda", reference IP.2.1.14, Karlovac, Croatia. The project is co-financed from the European Regional Development Fund (ERDF) within the Integrated Territorial Programme 2021-2027, with total project value exceeding 13 million EUR and approximately 4.6 million EUR allocated to the square intervention (67% ERDF co-financing).

The irregularities described in this complaint fall into five categories: (1) removal of 42 protected mature trees before the funding decision was formally issued; (2) material deficiencies in the mandatory climate proofing assessment; (3) conflict of interest in the project assessment process; (4) inadequate verification by the responsible intermediate body; and (5) violation of Croatian nature protection legislation. Taken together, these irregularities raise serious concerns about compliance with EU cohesion policy rules and the proper use of ERDF funds.

2. Chronology

The following chronology establishes the factual basis of this complaint:

- The project is based on conservation conditions and architectural design from 2008 and 2019,



predating both the EU Technical Guidance on climate proofing of infrastructure 2021-2027 (Commission Notice 2021/C 373/01) and the Croatian National Climate Proofing Guidance (April 2024).

- The climate proofing assessment document (Sensum d.o.o. and Altacon d.o.o., October 2025) was submitted as mandatory project documentation. Altacon d.o.o., co-author of this document, is simultaneously the owner and developer of the CLIMATIG platform used for climate risk analysis within the same document - a conflict of interest with no indication of third-party validation.
- Phase 1 administrative and eligibility verification by Central Finance and Contracting Agency (SAFU) was completed on 28 April 2026 - three months before the Initiative's Critical Expert Review (23 July 2026). SAFU has itself confirmed in a subsequent clarification that its verification was based on the applicant's (City of Karlovac's) own declaration of DNSH compliance, not on independent content analysis of the climate proofing study.
- The Citizens' Initiative submitted a written petition and request for verification of compliance on 6 July 2026 to the City of Karlovac, the Ministry of Regional Development and EU Funds (MRRFEU), SAFU, ARPA, the Programme Monitoring Committee, and DG REGIO.
- A public tribune was held on 11 July 2026, attended by experts, citizens and a representative of Karlovac County. The unanimous conclusion was that the City of Karlovac should organise an interdisciplinary round table to examine alternative solutions.
- On 21 July 2026 42 mature trees were removed from the square in the early morning hours, without adequate prior public notice, and in violation of a recommendation by the Natura Viva public institution to respect the Croatian Nature Protection Act, which prohibits habitat disturbance during the nesting and rearing season (until September).
- A Critical Expert Review of the climate proofing document was submitted to all relevant bodies on 23 July 2026, identifying material deficiencies in methodology and documentation.
- The City of Karlovac and Sensum d.o.o. submitted formal responses on 30 July 2026. Three key deficiencies remained unaddressed: the absence of data on trees removed from Component 1 (the Square), inconsistent application of climate scenarios (RCP8.5 vs RCP4.5), and an arithmetic error in the heat wave impact assessment.
- SAFU issued a clarification confirming: that its Phase 1 verification predated the Critical Review; that DNSH compliance was verified based on the applicant's own declaration; and that SAFU cannot independently revise the climate proofing study or substitute missing expert assessments.



3. Description of irregularities

3.1 Removal of trees before Formal funding decision

42 mature linden trees were removed from the main city square on 21 July 2026. The removal of trees constitutes an irreversible physical intervention that has materially altered the project site and precluded any possibility of implementing a less harmful alternative, before the EU co-financing was formally committed.

3.2 Material deficiencies in the Climate Proofing Assessment

The mandatory Climate Proofing Assessment contains the following material deficiencies:

- Omission of tree removal data for Component 1 (the Square): The document explicitly states the balance of removed and planted trees for Component 3 (Ulica Frana Kurelca: 24 removed, 14 planted), but provides no data whatsoever on the number of trees removed from Component 1 - the most contested component of the project. This is not a minor oversight: the document demonstrably has the methodological capacity to present such data, making its omission for the most scrutinised component a material gap that prevents independent verification of DNSH compliance.
- Inconsistent climate scenario application: Table 3 (exposure analysis) uses the RCP8.5 scenario, while Table 5 (probability analysis) uses RCP4.5. The document provides no explanation for this inconsistency. Annex 8 of the Call documentation explicitly requires RCP4.5.
- Arithmetic error in heat wave impact assessment: Table 6 lists the frequency distribution as 3x1, 3x2, 2x3, 0x4, 0x5 across seven risk categories. This produces a sum of 15, corresponding to the "moderate impact" category, yet the document states the result as "14 - minor impact". This error has not been corrected despite being raised in the Critical Expert Review and in subsequent responses.
- Absence of carbon accounting for biomass loss: The emissions calculation for the construction phase (330.04 t CO₂e) does not include the loss of carbon stored in the biomass of removed trees, nor the permanent reduction in annual carbon sequestration capacity (estimated at 0.8-1.3 t CO₂ per year based on conservative estimates). This omission undermines the credibility of the climate neutrality statement.
- No analysis of less harmful alternatives: The assessment does not examine any alternative scenario preserving the existing tree line, despite the City of Karlovac itself having confirmed the existence of such an alternative in valid urban planning documentation.

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- Conflict of interest in data source: The entire exposure analysis is based on the CLIMATIG platform, owned and developed by Altacon d.o.o., which is simultaneously co-author of the climate proofing document. No third-party validation of the CLIMATIG methodology is indicated.

3.3 Conflict of Interest: Dual Role of the City of Karlovac

The City of Karlovac acts simultaneously as the Beneficiary/Investor of the project and as the Intermediate Body for Operation Selection (PTOO) responsible for conducting the quality assessment of the same project. City officials responsible for the ITU department publicly defended the project design during the period when the quality assessment procedure was still ongoing. This raises a serious concern about compliance with the principle of separation of functions (Rule I, General Part, Chapter V, point 2.C of the management and control system rules), which requires separation between the functions of system bodies and the functions of the Beneficiary. We have formally requested clarification on how this separation was operationally ensured, whether the Declaration of Impartiality (Annex 9) was completed for all City officials involved in the quality assessment, and whether any of those officials were simultaneously involved in preparing or defending the project as Beneficiary. No substantive response has been received.

3.4 Inadequacy of SAFU Verification

SAFU has confirmed in its own clarification that: (a) Phase 1 verification was completed on 28 April 2026, three months before the Critical Expert Review of 23 July 2026, and therefore could not have considered any of the deficiencies identified in that review; (b) DNSH compliance was verified on the basis of the applicant's own declaration, not through independent content analysis of the climate proofing study; and (c) SAFU is not authorised to independently revise the study or substitute missing expert assessments. SAFU's own clarification indicates that the appropriate mechanism for addressing these deficiencies is a return of the application to the relevant prior stage by MRRFEU as the Managing Authority. No such return has been initiated. We therefore respectfully submit that the SAFU verification, as SAFU itself has described it, does not and cannot constitute a substantive independent assessment of the methodological deficiencies identified in the Critical Expert Review.

3.5 Violation of Nature Protection Legislation

The Natura Viva public institution formally recommended that the tree removal respect the

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Croatian Nature Protection Act, which prohibits disturbance of habitats during the sensitive nesting, feeding and resting season (until September). The removal was carried out on 21 July 2026, in the middle of this protected period, without adequate prior public notice. This is not a minor procedural breach: it reflects a pattern of action designed to create irreversible facts on the ground before scrutiny could be applied.

4. Applicable EU Legal Framework

The irregularities described above raise concerns about compliance with:

- Regulation (EU) 2021/1060 (Common Provisions Regulation), Article 9(4): DNSH principle as a horizontal principle for all cohesion policy funds.
- Article 17 of Regulation (EU) 2020/852 (Taxonomy Regulation): definition of significant harm in relation to the six environmental objectives. We submit that objectives 1 (climate change mitigation), 2 (climate change adaptation) and 6 (biodiversity and ecosystems) are potentially breached.
- Commission Notice 2021/C 373/01: Technical Guidance on climate proofing of infrastructure 2021-2027.
- Commission Notice 2021/C 58/01: Technical Guidance on the application of Do No Significant Harm.
- Croatian National Climate Proofing Guidance for the EU Programming Period 2021-2027 (April 2024).
- The Aarhus Convention (ratified by Croatia), which guarantees public participation rights in decisions affecting the environment.
- The principle of separation of functions in the management and control system.
- Croatian Nature Protection Act, regarding habitat disturbance during the protected nesting and rearing season.

5. Requests

We respectfully request OLAF and the European Court of Auditors to:

- Open an investigation into the irregularities described in this complaint, in particular: the removal of 42 trees before the formal Funding Decision and Grant Agreement were concluded; the material deficiencies in the mandatory climate proofing assessment; the conflict of interest arising from the City of Karlovac's dual role as Beneficiary and Intermediate Body for Operation Selection; and the adequacy of SAFU's verification procedure.

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- Verify whether the Grant Agreement for project IP.2.1.14 has been signed, and if so, on what date relative to the tree removal of 21 July 2026.
- Assess whether expenditure related to the removal of 42 trees can be considered eligible under the applicable rules, given the identified deficiencies in the climate proofing assessment and the DNSH principle.
- Request MRRFEU, as Managing Authority, to return the project application to the appropriate prior stage of the selection procedure to enable a substantive independent review of the climate proofing documentation, addressing at minimum: the tree balance for Component 1, the inconsistent RCP scenario application, and the arithmetic error in the heat wave impact assessment.
- Assess the procedural compliance of the separation of functions between the City of Karlovac as Beneficiary and as PTOO, including whether Declaration of Impartiality obligations were properly fulfilled.
- Consider suspending further expenditure approvals related to project IP.2.1.14 pending the outcome of such investigation.
- Inform this Initiative in writing of the outcome of the assessment and any measures taken.

6. Supporting documentation

The following documents are available and can be provided upon request:

- Citizens' Initiative petition and request for verification of compliance with climate proofing obligations and DNSH principle, 6 July 2026.
- Critical Expert Review of the Climate Proofing Assessment document, 23 July 2026.
- Climate Proofing Assessment document (Sensum d.o.o. and Altacon d.o.o., October 2025).
- Response of Sensum d.o.o. to the Critical Expert Review, 30 July 2026.
- Response of the City of Karlovac (KLASA: 989-02/26-01/01, URBROJ: 2133-1-13/01-26-2), 30 July 2026.
- Reply to the Response of Sensum d.o.o., August 2026.
- Reply to the Response of the City of Karlovac, 3 August 2026.
- SAFU clarification on the scope and basis of Phase 1 verification.
- Recommendation of Natura Viva public institution regarding the Nature Protection Act.
- Correspondence with Ministry of Culture and Media, Ministry of Regional Development, DG REGIO, and Ombudsperson.



We emphasise that the protection of existing trees in an EU-funded infrastructure project is not an added value or decoration, but a clear legal obligation under the regulatory framework applicable to ERDF-financed investments. The irreversible removal of 42 mature trees from the main square of Karlovac, without adequate climate proofing and without serious consideration of available alternatives, represents precisely the kind of outcome that EU cohesion policy rules are designed to prevent. The square reconstruction project is predicated on old conservation conditions that existed and were in effect in 2008. and which are no longer relevant in view of current scientifically confirmed Earth climate change conditions. We also wish to draw attention to a broader concern that merits particular attention from the European Union: the practice of presenting the planting of young trees as adequate compensation for the removal of mature ones must not be accepted as a credible climate adaptation measure. Beyond the ecological and climatological arguments already outlined, there is a systemic risk that is frequently overlooked: local authorities and municipalities across Croatia, and likely beyond, often lack the capacity, expertise and resources to adequately care for newly planted trees. As a result, young trees regularly fail to survive, rendering any compensatory planting not merely insufficient but effectively non-existent.

We therefore respectfully request that the competent EU institutions examine these matters with particular urgency. While the removal of the 42 mature linden trees is irreversible, it represents only the initial stage of a wider integrated project, "ITU - Reconstruction of Trg bana Josipa Jelačića and improvement of urban mobility in Zvijezda", reference IP.2.1.14, Karlovac, that includes further interventions affecting existing trees and green infrastructure. Timely action may therefore still prevent additional irreversible environmental damage and ensure that the remainder of the project is implemented in compliance with applicable EU law and funding conditions.

Respectfully submitted,
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Karlovac, 4th of August 2026