Kosovo Railway Infrastructure

INFRAKOS J.S.C.

Rehabilitation of Southern Part of Railway Route 10

PPR

Periodic Project Report

Biannual Report for the

1st 6 monthly period of 2026

covering the period of 01.01.2026 and 30.06.2026

Rehabilitation of Southern Part of Railway Route 10

- Phase 1 Fushe Kosove – Han i Elezit, from km 246+888.00 to km 313+711.00.
- Phase 2 - Rehabilitation of Southern Part of Railway Route 10, Fushe Kosove - Mitrovica, from km 246+888.00 to km 212+519.00.

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PPR[1] (Periodic Project Report) for 2026-1 Biannual Report for the 1st 6 monthly period of 2026

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- Phase 1 Fushe Kosove-Hani Elezit, from km 246+888.00 to km 313+711.00.
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prepared by

Kosovo Railway Infrastructure INFRAKOS J.S.C.

Beneficiary (Project Implementing Entity) Details					
Client Name	Kosovo Railway Infrastructure INFRAKOS J.S.C.				
Client Address	Sheshi i Lirisë p.n., Fushë Kosovë, 12000				
Country	Kosovo				
Client authorized representative					
Name	Xhavit Ratkoceri				
Title	Acting Head of PIU				
I certify that, to the best of my knowledge and belief, the information contained in this report is true, complete and correct in all material respects and does not omit any material fact necessary.					
Signature					
Date	07/8/2026				
Contact Details					
Telephone	+383 550 550227	**Mobile**	+383 49 972 527	**E-mail**	xhavit.ratkoceri@kosovorailway.com
Reporting Period	2026-1				
Unless otherwise stated, the information provided below shall be for this reporting period only.					
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[1] This report is prepared in compliance with the periodic project reporting requirements set forth within the Project Agreement, dated 23 September 2015 between EBRD and Infrakos for the implementation of the Kosovo Railway Route 10 Rehabilitation Project. The report aims at providing up-to-date information to the project Financiers, covering all elements of the reporting requirements as per Section 2.07 (b) of the Project Agreement. The current report is issued on a three-monthly basis, thus covering the Financing documents requirements for periodic project reporting and facilitating the project monitoring by the project funders and stakeholders.

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List of Abbreviations

A list of abbreviations for the terms used in the Project and referenced throughout this report is provided below for the reader's convenience.

AESR	Annual Environmental and Social Report
ALT	Abnormally Low Tender
AIP	Assignment Implementation Plan
BoQ	Bill of Quantities
EBRD	European Bank for Reconstruction and Development
ECMS	Enterprise Content Management System
EIB	European Investment Bank
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESMP	Environmental and Social Management Plan
ESP	Environmental and Social Policy
EU	European Union
FD	Financing Documents
FIDIC	Fédération Internationale des Ingénieurs-Conseils
GCC	General Conditions of Contract
GtP	Guide to Procurement
IMS	Integrated Management System
JV	Joint Venture
LRP	Livelihood Restoration Plan
MESP	Ministry of Environment and Spatial Planning
OCC	Operation Control Centre
O/D	Origin/Destination
PIP	Project Implementation Plan
PIS	Project Implementation Support
PIU	Project Implementation Unit
PP&R	Procurement Policies & Rules
RAP	Resettlement Action Plan
RFP	Request for Proposals
RPF	Resettlement Policy Framework
SC	Steering Committee
SCADA	System Control and Data Acquisition
SE	Supervising Engineer
SEP	Stakeholder Engagement Plan
SCC	Special Conditions of Contract
STD	Support during the preparation of Tender Documents
TD	Tender Documents
ToR	Terms of Reference
TS	Technical Specification
UN	United Nations
VTA	Verification, Test and Approval
WBIF	Western Balkans Investment Framework

1. Executive Summary

This Bi-Annual Report presents the implementation status of the Railway Route 10 Rehabilitation Project during the first six months of 2026, covering both the Phase 1 and Phase 2 Works Contracts. The Project remains strategically important and continues to benefit from a robust financing structure supported by international financial institutions (IFIs) and sustained stakeholder commitment. Nevertheless, implementation has continued to be affected by a combination of technical, contractual, financial, and managerial challenges. While progress has been achieved in several civil works activities, the Project continues to face systemic constraints that adversely impact the construction programme, cost performance, and overall readiness for completion and commissioning.

From a contractual and scheduling perspective, the Project is currently in a time at large situation, as no defined Time for Completion exists following the expiry of the granted Extensions of Time. The absence of an updated and approved baseline Programme further constrains effective planning, progress monitoring, and schedule control. According to the Contractor's monthly reports with a cut-off date of 30.06.2026, the physical progress of the Works has reached 86% for Phase 1 and 62% for Phase 2. The PIS Consultant, however, has assessed the corresponding physical progress at 82.57% and 66.33%, respectively. Based on the same reports, the Contractor forecasts completion of the Works on 12.12.2027 for Phase 1 and 17.03.2028 for Phase 2. In contrast, the PIS Consultant estimates the completion dates, including the steel bridge retrofitting works, to be 31.08.2027 for Phase 1 and 31.12.2027 for Phase 2. These projected completion dates could be advanced significantly if the steel bridge retrofitting or reconstruction works are omitted from the Contractor's scope and the Contractor mobilises personnel and equipment resources commensurate with the remaining workload.

Financially, the Project has experienced significant cost increases, primarily due to the application of the price adjustment mechanism under Sub-Clause 13.8, resulting in cost increases of approximately 20% under both Phase 1 and Phase 2 Contracts. Additional financial exposure has arisen from the DAB decisions concerning VAT, excise taxes, and customs duties. Following the revocation of the Contractor's tax exemptions by the Kosovo Tax Administration, the DAB determined in both Contracts that the Employer (INFRAKOS J.S.C.) is liable to reimburse the Contractor for these payments. However, the Employer currently lacks the financial resources to meet these obligations, and the corresponding expenditures are not eligible for financing under the applicable grant and loan agreements. Consequently, the Employer's inability to satisfy the DAB awards places it in a continuing state of contractual default, significantly weakening its contractual position and increasing the risk of termination of both Contracts by the Contractor. These factors, together with the prolonged implementation period and low financial absorption rates, underscore the need for strengthened financial planning, proactive contract administration, and timely risk mitigation measures to prevent further financial and contractual exposure.

The Project has also been characterised by a high level of claims and disputes. Numerous referrals to the Dispute Adjudication Board (DAB) have resulted in decisions largely in favour of the Contractor, addressing matters such as delays, design approvals, variations, and changes in legislation. These outcomes indicate weaknesses in contract administration, delayed decision-making, and a predominantly reactive approach to dispute management. In parallel, critical technical matters, particularly those concerning the steel bridge works under Phase 1, remain unresolved and continue to affect the Project's programme and future implementation strategy. Across both Works Contracts, the Contractor has adopted a distinctly claim-driven approach, submitting a substantial number of claims, whereas the Employer has initiated only a limited number of Employer's Claims. Many of the Contractor's submissions relate to matters that could potentially have been resolved through timely contract administration, effective coordination, and constructive engagement between the Parties. This trend has contributed to an increasingly adversarial contractual environment, placing significant pressure on project management resources and the DAB process, while diverting attention from the efficient execution of the Works.

Environmental, social, health, and safety (ESHS) performance remains a significant area of concern. Inspections have identified persistent non-compliance with approved management plans, inadequate site practices, and recurring safety violations, posing risks to workers, communities, and the environment. Overall, while the Project retains strong strategic importance and partial operational achievements, its successful delivery will depend on urgent improvements in project governance, contract administration, technical decision-making, and enforcement of compliance measures to restore progress and ensure sustainable implementation.

Overall, although the Project continues to retain significant strategic importance and tangible progress has been achieved in several construction activities, its successful completion will require decisive improvements in project governance, contract administration, technical decision-making, financial risk management, and enforcement of contractual and ESHS compliance. A more proactive, coordinated, and solution-oriented management approach will be essential to restore implementation momentum and ensure the sustainable delivery of the Project.

2. Project Overview

2.1. Project Information

The Project involves the rehabilitation and upgrading of Rail Route 10 in Kosovo, extending from the Kosovo–Serbia border to the Kosovo–North Macedonia border. Rail Route 10 forms part of a regional railway corridor with an overall alignment from Kraljevo (Serbia) through Pristina (Kosovo) to Gorce Petrov (North Macedonia). Within Kosovo, the railway line has a total length of approximately 148 km, running from Leshak at the northern border with Serbia to Hani i Elezit at the southern border with North Macedonia.

The Kosovo section of Rail Route 10 is part of the Western Balkans core railway network and represents an extension of the Trans-European Transport Network (TEN-T), contributing to the European Union's broader objective of enhancing regional transport connectivity.

The Government of Kosovo has undertaken a comprehensive railway sector reform programme to align with EU directives. This reform process began in 2005 with the restructuring of the public railway company into a joint stock company (Kosovo Railways JSC), which operated as an integrated entity until 2011. In 2011, the company was unbundled into two separate entities; the infrastructure manager (INFRAKOS) and, the train operating company (TRAINKOS), both of which are operating independently since August 2011.

Figure 1 Current view of the line around Obiliq

The Railway Route 10 Rehabilitation Project is designed to enhance the physical and technical condition of the existing railway infrastructure, with the objective of increasing transport capacity, improving operational speeds, and ensuring higher levels of safety and reliability. The scope of the Project encompasses the rehabilitation of the track structure and substructure, the upgrading of signaling and telecommunications systems, and the construction, refurbishment, and modernization of stations and associated railway facilities. Beyond its technical scope, the Project represents a strategic investment in Kosovo's transport network. The modernization of the railway infrastructure is a critical enabler for more efficient and competitive rail services, facilitating both passenger mobility and freight transport. In this context, the Project is closely aligned with the objectives of Kosovo's National Development Strategy, supporting enhanced regional connectivity, economic growth, and integration with wider European transport corridors. Ultimately, the successful implementation of the Project is expected to contribute to sustainable economic and social development by improving accessibility, reducing transport costs, and promoting a shift toward more environmentally sustainable modes of transport.

The procurement and implementation of the Project are managed by the Project Implementation Unit (PIU) established within INFRAKOS, acting as the implementing entity.

The Project comprises the rehabilitation and partial upgrading of the north–south railway line across Kosovo (148 km) and is planned to be implemented in three phases:

(1) Fushë Kosovë – Hani i Elezit (North Macedonia border): 66.823 km (Phase I)
(2) Fushë Kosovë – Mitrovicë: 34.369 km (Phase II)
(3) Mitrovicë – Leshak (Serbia border): 48.119 km (Phase III).

The Project is financed through a multi-source co-financing structure combining sovereign loans from the EBRD and the EIB with substantial EU investment grants channelled through the WBIF, complemented by national counterpart funding. This blended financing model enables the mobilization of significant financial resources while reducing the fiscal burden on the Government. At the same time, it ensures that the Project is implemented in accordance with the respective financing agreements and requirements of the participating financial institutions, particularly in relation to procurement, and financial management. The co-financing arrangement also promotes close coordination among the financing partners and facilitates the application of harmonized implementation and monitoring procedures throughout the Project lifecycle. The financing structure of the Project, together with updated financial positions as of the first half of 2026 is as provided in the summary table below[2]:

Table 1. Financing Structure of the Project[3]

Source of funds	2016 Financing Plan	2023 Financing Plan	Disbursements as of Q2 2026	Expenditures as of Q2 2026	% of Expenditures
EBRD Loan	40,000,000	40,000,000	27,521,999.99	27,521,999.99	68.80%
EIB Loan 1	42,000,000	42,000,000			
EIB Loan 2	–	38,000,000	38,005,057.57[4]	38,005,057.57[1]	47.51%[1]
WBIF	84,200,000	89,000,000	58,194,324.38	58,194,324.38	65.39%
EBRD Grant	1,700,000	–	1,277,015.80	1,277,015.80	75.12%
Government of KS[5]	40,100,000	41,000,000			
Total	208,000,000	250,000,000	124,998,397.74	124,998,397.74	59.43%[6]

2.2. Project Status

2.2.1. Updated Procurement Plan

The Procurement Plan is the principal planning and monitoring instrument for the Project's procurement activities. It provides a consolidated overview of all procurement packages, including their estimated values, procurement methods, implementation schedules, and current status. The Plan serves as a management tool for coordinating procurement activities, monitoring progress against the implementation programme, forecasting future procurement needs, and ensuring that the Project is implemented in accordance with the applicable financing agreements and procurement procedures. It is updated periodically to reflect changes in project priorities, implementation progress, cost estimates, and procurement schedules.

A summary of the latest Procurement Plan for the Railway Route 10 Rehabilitation Project (updated in December 2025 for implementation during 2026) has been prepared and reviewed. The Procurement Plan is structured under three main categories:

(1) Works;
(2) Services (Supervision), and
(3) Services (Design and Technical Assistance).

The latest version of the Procurement Plan estimates the total procurement value at EUR 374.76 million. As of the first half of 2026, contracts with a total value of EUR 136.87 million had been awarded, while cumulative project expenditures had reached EUR 125.00 million. The remaining procurement packages, primarily comprising Phase 3 civil works, signaling and telecommunications works, and the associated supervision services, represent an estimated procurement value of approximately EUR 237.89 million.

The Procurement Plan also compares the latest estimated procurement values with the values of the awarded contracts, providing an overview of the current procurement status and identifying the packages that remain to be tendered. In accordance with the Employer's confidentiality requirements, the detailed Procurement Plan is not reproduced in this report. It may, however, be made available by INFRAKOS to authorized stakeholders upon request.

[2] All amounts in EUR.

[3] The financial records maintained by INFRAKOS recognize eligible project expenditure at the moment of loan or grant disbursement. Consequently, cumulative disbursements and cumulative expenditures reported for each financing source are identical throughout the reporting period.

[4] INFRAKOS reports cumulative EIB disbursements and expenditures as a single consolidated amount. The available financial records do not distinguish between EIB Loan 1 and EIB Loan 2.

[5] The Government of Kosovo contribution mainly represents tax exemptions and budgetary support. Separate cumulative disbursement and expenditure data are not reported in the available financial records.

[6] The utilization percentage is calculated using the external financing sources (EBRD Loan, EIB Loans, WBIF Grant and EBRD Grant).

2.2.2. Ongoing Activities and Contracts

The Works and Service Contracts ongoing under the Project as of the cut-off date of this report are presented in the table below. The following remarks are noted:

- The Works Contracts for Phase 1 and Phase 2 remain ongoing. Detailed information regarding their current status, updated programmes, and progress is provided in the relevant sections of this report.
- The Supervision Service Contracts for Phase 1 and Phase 2 were completed in December 2025. Subsequently, supervision activities have been continued under a newly procured Supervision Services Contract covering both phases.
- The Project Implementation Support (PIS) Consultancy services commenced in June 2025.

Table 2. Ongoing and Completed Contracts under the Project for the reporting period

No	Description	Status	Contract Amount	Total Payments	Financial Progress
1	Works Phase 1	Ongoing since 30.08.2019	78.625.639,40	80.275.078,41	102,10%
2	Works Phase 2	Ongoing since 11.10.2022	47.927.505,32	33.871.200,80	70,67%
3	Supervision Phase 1	Completed 11.12.2025	6.658.445,00	6.658.445,00	100,00%
4	Supervision Phase 2	Completed 11.12.2025	3.531.490,00	3.531.490,00	100,00%
5	Supervision Phase 1-2	Ongoing since 11.11.2025	1.291.625,00	540.460,00	41,83%
6	Phase 3 Design	Ongoing since 26.10.2021	1.300.000,00	0,00	0,00%
7	PIS Consultancy	Ongoing since 30.06.2025	823.000,00	82.300,00	10,00%

Further information and elaboration of the financial information concerning the Phase 3 Design services are provided in table below:

Table 3. Phase 3 Design Services

Description	Information	Source
Contract Title	Railway Route 10 Phase 3 Preparation of the Detailed Design and Tender Documents	Latest Procurement Plan (Annex 1 - PPP)
Current Status	Ongoing	Latest Procurement Plan (Annex 1 - PPP)
Latest Estimated Value	EUR 3,267,000.00	Latest Procurement Plan (Annex 1 - PPP)
Contract Amount	EUR 1,300,000.00	Latest Procurement Plan (Annex 1 - PPP)
Financing Source	WBIF Grant	Latest Procurement Plan (Annex 1 - PPP)
Procurement Method	Competitive Consultancy	Latest Procurement Plan (Annex 1 - PPP)
Planned Contract Completion	25.10.2026	Latest Procurement Plan (Annex 1 - PPP)
Payments / Disbursements as of 30.06.2026	EUR 0.00	Financial reports (TM2 2026, Investments in Progress, Annual Expenditure Tables)

2.2.3. Operationalization of the Line

The following issues are noted with regard to the operationalization of the rehabilitated railway line:

- A significant milestone was achieved in August 2025, when the rehabilitated section between Fushë Kosovë and Ferizaj was reopened to rail traffic under reduced operating speeds.
- The Fushë Kosovë–Ferizaj section remains operational; however, train services continue to be provided at limited frequency and under constrained operating conditions.

While the reopening demonstrates the functionality of the completed infrastructure, the overall level of service remains below the intended operational standards, reflecting the ongoing rehabilitation works and the need for completion of the remaining infrastructure and railway systems.

Improving the operationalization of the project requires shifting focus from construction completion to system functionality. The key gap lies not only in infrastructure but in signaling, communication, and operational integration systems, which are essential to unlock capacity and reliability. By prioritizing these systems, supported by targeted studies and improved operational planning, the completed sections can transition from limited, symbolic operation to functional and efficient railway service, thereby enhancing both project performance and public value. In order to support the transition from construction to full railway operations, an Operational Plan for Phases 1 and 2 is currently under preparation. The plan is expected to define the operational arrangements, system integration measures, service implementation strategy, and operational readiness requirements necessary for the effective commissioning and operation of the rehabilitated sections. Its implementation will be instrumental in improving service reliability, operational efficiency, and the overall performance of the Project.

2.3. Key Concerns

Despite the range of issues identified and the need for improvements across multiple aspects of the Project, particularly under the Phase 1 and Phase 2 Works Contracts, the following elements have been identified as the principal areas of concern as of the cut-off date of this Bi-Annual Report:

(1) Contract Price Adjustment under the Works Contracts
(2) VAT and Excise Tax implications
(3) Steel bridge works, particularly under Phase 1

These issues represent critical technical and financial challenges with direct implications for project progress, cost control, and overall implementation performance. Each of these topics is therefore assessed in the following sections, together with an overview of their current status, associated risks, and ongoing or proposed mitigation measures.

2.3.1. Works Contracts Price Adjustment

According to the financial status of the Phase 1 and Phase 2 Works Contracts, as presented in Chapters 3.1.1.2 [Payments under Works Contract Phase 1] and 3.1.2.2 [Payments under Works Contract Phase 2] within this report, payments made under Sub-Clause 13.8 [Adjustment for Changes in Cost] of the General Conditions have resulted in an increase of approximately EUR 16 million for Phase 1 and EUR 9 million for Phase 2. These adjustments correspond to increases of roughly 20%, of the Accepted Contract Amounts of both Works Contracts.

Although the original Contract structure and documentation did not explicitly provide for price adjustment, and despite uncertainties and differing interpretations regarding the applicability of the 18-month period referenced in the Contract (particularly in light of the 15-month execution period of the Phase 2 Works Contract) it was ultimately decided to apply price adjustment for both Phase 1 and Phase 2 Works Contracts. Accordingly, the adjustment of prices has been based on the Construction Cost Index published by the Kosovo Agency of Statistics with the agreement and approval/no-objection of the relevant board of management and financing institutions.

The application of price adjustment under Sub-Clause 13.8, in the context of significantly extended completion periods for both Works Contracts, raises notable concerns from a project management and financial control perspective. As the duration of the Contracts extends beyond the originally anticipated timelines, the continued application of cost indices over prolonged periods results in substantial increases to the Contract Price. In such circumstances, and particularly where progress rates remain low, there is a risk of creating misaligned commercial incentives, whereby extended durations, irrespective of their underlying causes may lead to increased financial compensation through price adjustment mechanisms.

While price adjustment is intended to fairly compensate for inflationary pressures, its application over extended periods without corresponding progress may reduce the urgency for timely completion and weaken cost control discipline. This situation is of particular concern in the absence of effective programme management, enforcement of contractual milestones, and clear attribution of delays. Accordingly, careful monitoring, strengthened contract administration, and, where appropriate, the application of contractual remedies is essential to ensure that the price adjustment mechanism remains equitable and does not inadvertently incentivize prolonged execution periods to the detriment of the Project's overall objectives.

2.3.2. VAT and Excise Tax Exemption

This issue arose following a decision by the Kosovo Customs Authority to discontinue the application of VAT, excise tax, and customs duty exemptions on fuel and certain other materials used by the Contractor for the Project. In response, the Contractor referred the matter to the Dispute Adjudication Board (DAB) for both Phase 1 and Phase 2, submitting Referral No. 4 (Phase 1) and Referral No. 2 (Phase 2) on 29.10.2024. The Contractor's position is primarily based on Sub-Clause 13.7 [Adjustment for Changes in Legislation], arguing that the measures introduced by the Customs Authority constitute a change in the official or judicial interpretation of the Laws of the Country. The DAB decisions issued for both Phase 1 and Phase 2 have been consistent in their conclusions. In summary, the DAB(s) determined that:

- The situation constitutes a change in law within the meaning of Sub-Clause 13.7 [Adjustment for Changes in Legislation], arising from the Kosovo Customs Authority's decision to revoke and reclaim previously granted exemptions;
- The circumstances also amount to a breach of the representations made by the Employer at the tender stage regarding the applicability of such exemptions; and
- Accordingly, the Employer is liable to reimburse the Contractor for the amounts related to VAT and excise taxes on fuel, as well as customs duties paid on imported materials, together with the applicable interest in accordance with the laws of Kosovo.

The determination of the Employer's liability to reimburse the Contractor for VAT and excise tax exemptions has imposed a significant additional financial burden on the Employer.

2.3.3. Status of Steel Bridges

The steel bridges component under the Railway Route 10 Rehabilitation Project, particularly within the Phase 1 Works Contract has emerged as one of the most complex and critical issues affecting project implementation. The matter encompasses significant technical, contractual, and financial dimensions, including disputes over design compliance, the adequacy of retrofit solutions, responsibility for approvals, and the validity of contractual instructions such as variations and omissions. The situation has been further complicated by prolonged disagreements between the Employer/Engineer and the Contractor, multiple variation instructions, and successive referrals to the Dispute Adjudication Board (DAB), resulting in a fragmented and unresolved decision-making environment.

Following the Contractor's assertions that the retrofit design for the 14 existing steel bridges under the Phase 1 Works Contract was defective or ineffective, Agreement No. 1 was concluded between INFRAKOS and the Contractor. This agreement required the Contractor to submit a proposal for the redesign and reconstruction of the 14 bridges (including abutments and piers) on a lump-sum basis by 30.12.2022. The Contractor subsequently submitted its technical and financial proposal, revised on 14.03.2023 to approximately EUR 8 million. However, the process was marked by ongoing disagreements between the Contractor and the Engineer/Employer regarding the proposed technical solutions, materials, and associated costs. During this period, and in the absence of formal approval, the Contractor proceeded with the fabrication and delivery of two bridges (Nos. 13 and 15) between June and October 2023. As the matter remained unresolved, the Engineer issued Variation No. 26 on 30.08.2024, instructing the omission (descope) of the steel bridge retrofit works from the Contractor's scope.

In response, the Contractor submitted DAB Referral No. 3 on 04.09.2024 under Sub-Clause 20.4, seeking confirmation of the compliance of its bridge design and the cancellation of Variation No. 26. Following the hearing on 24.01.2025, the DAB issued its decision on 26.03.2025. The DAB concluded that the Contractor's foundation design complied with the Employer's Requirements and good engineering practice, and that the Employer and Engineer had unreasonably withheld and delayed approvals. It further determined that the instruction to omit the works was in breach of Sub-Clause 13.1(d) and inconsistent with Addendum No. 4, which restricts omission of works unless they are to be executed by others. While noting that a reversion to the original design could be instructed, the DAB emphasized the need to assess such action in light of safety and seismic considerations. The DAB also established the Employer's liability for delays and the withholding of approvals, with entitlement to additional costs subject to further evaluation.

Figure 2 Steel Bridge near Kacanik

Subsequent to the DAB Decision No. 3, the Engineer issued Variation No. 27 on 28.04.2025, cancelling both Variation No. 22 and Variation No. 26 related to the steel bridges retrofitting scope and requested the Contractor to implement the original design for the retrofit of the steel bridges.

On 17.06.2025, the Contractor submitted DAB Referral No. 5, pursuant to Sub-Clause 20.4, through its letter referenced RKSP1 3529/25, seeking the cancellation of the Engineer's Variation No. 27 concerning the implementation of the steel bridge retrofitting works in accordance with the Contract design. The DAB issued its decision on 18.09.2025. The DAB has provided its final decision on 18.09.2205 concerning the Contractor's Referral No. 5. In summary, the DAB concluded that:

i) Variation Order No. 27 is illegitimate, ineffective, and impracticable to implement;
ii) the steel bridge retrofitting design prepared by Obermeyer Hellas Ltd (the Contract design) is flawed, incomplete, and not suitable for execution;
iii) the Employer and the Engineer failed to provide the necessary design and instructions required for the safe execution of the steel bridge works; and
iv) the Contractor should not be held responsible for delays arising from such failures and retains the right to pursue claims for time and cost separately.

Following the DAB Decision on Referral No. 5, the Employer issued a Notice of Dissatisfaction (NOD). In parallel, the Engineer outlined potential alternative approaches available to the Employer, including:

- preparation of a new bridge design fully compliant with the Eurocodes;
- acceptance of the Contractor's proposed design; or
- modification of the original design to achieve full compliance with the Eurocodes.

Figure 3 One of the two new Steel Bridges manufactured and delivered by the Contractor

The Engineer, in its letter dated 30.10.2025 and referenced PXK-00005.00/TA/S3281, presented a set of proposed actions for INFRAKOS, outlining basically five alternative approaches, each separately evaluated and commented upon. These alternatives, of which the first two were in fact promoted by the Contractor, are summarized as follows:

(1) Acceptance of the Contractor's design (Maffeis design);
(2) Development of a new alternative design by the Employer;
(3) Instruction by the Employer to proceed with the original superstructure design, combined with revised foundation designs to ensure compliance with Eurocodes (in particular Eurocode 8, as permitted under CEN/TS 17440:2020 for assessment and retrofitting of existing structures);
(4) A combination of the above approaches;
(5) Referral to arbitration, including consideration of interim measures.

As of the cut-off date of this report, the issue of the steel bridges, particularly under the Phase 1 Works Contract remains unresolved. The contractual positions of the Employer and the Contractor remain unclear in the absence of a definitive decision and/or mutual agreement between the Parties. While the impact is relatively less pronounced under Phase 2, the identification and implementation of a clear technical, administrative, and operational solution for the bridges is of critical importance for the overall success of the Project, including its implications for both ongoing phases and future Phase 3 developments.

3. Contracts

3.1. Works Contracts

3.1.1. Works Contract Phase 1 Fushë Kosovë-Hani i Elezit

Phase 1 of the Project concerns the rehabilitation of the existing single-track section of Railway Route 10, extending from Fushë Kosovë to Hani i Elezit, between approximately km 246+888 and km 313+711, up to the border with the Republic of North Macedonia.

Table 4. Scope and Type of Works Phase 1

No	Description	Quantity	Notes
1	Railway length main alignment	66,823 km	UIC 60 Rail track and UIC 60 turnouts
2	Other secondary trackwork length	13,857 km	S 49
3	Stations	8	
4	Stop Stations	5	
5	Bridges	34	Total length of bridges is 773 m
6	Tunnels	7	Total length of tunnels is 983 m
7	Level Crossings	36	
8	Culverts	103	77 box culverts and 26 pipe culverts

The Works Contract data for Phase 1 is provided below.

Table 5. Works Contract Data Phase 1

Works Contract Name	Phase 1 - Rehabilitation of Southern Part of Railway Route 10, Fushe Kosove-Hani i Elezit, from km 246+888.00 to km 313+711.00
Contractor	GCF Generale Costruzioni Ferroviarie S.p.A.
Contract Date	06.02.2019
Commencement Date	30.08.2019
Original Duration	730 days
Original Completion Date	29.08.2021
Extension of Time	1.858 days
Revised Completion Date	31.01.2025
Accepted Contract Amount	EUR 78.625.639,40

The following Contract Addenda and Agreements were signed between the Parties.

Table 6. Addenda and Agreements under Works Contract Phase 1

No	Description	Date	Time Effect	Cost Effect	Notes
1	Addendum No. 1	14.01.2020			Change (correction) of Contract Amount
2	Addendum No. 2	14.01.2020		EUR 140.000,00	Allocation of Provisional Sum for DAB Procedures
3	Addendum No. 3	08.12.2021	EoT 488 days		Extension of Time (31.12.2022)
4	Agreement No. 1	21.12.2022			Extension of Time (31.01.2023)
5	Agreement No. 2	30.01.2023			Extension of Time (15.02.2023)
6	Agreement No. 3	15.02.2023			Extension of Time (31.03.2023)
7	Agreement No. 4	11.04.2023			Extension of Time (30.04.2023)
8	Agreement No. 5	19.06.2023			Extension of Time (31.07.2023)
9	Addendum No. 4	12.07.2023	EoT 640 days		Extension of Time (30.09.2024)
10	Agreement No. 6	30.12.2024	EoT 123 days		Extension of Time (31.01.2025)

The following remarks are made:

- The Contractor has issued a suspension notice under GCC Sub-Clause 16.1 on 25.06.2025 [Contractor's Entitlement to Suspend Work] upon alleged non-payment by the Employer.

3.1.1.1. Programme and Progress under Works Contract Phase 1

The Contractor has initially submitted the revision 0 and revision 1 Work Programmes under Contract GCC Sub-Clause 8.3 [Programme] respectively on 27.09.2019 and 21.11.2019.

The Programme was updated mainly at four revisions, apart from routine updates submitted in attachment of the Monthly Progress Reports. The Contractor submitted a Revised Baseline Programme on 31.12.2021, which was accepted on 19.01.2022 despite initial comments by the Engineer. Subsequently, only monthly "as-built" updates were provided. Due to insufficient progress, the Engineer requested an updated Programme under Sub-Clause 8.6 [Rate of Progress] on 25.03.2022; however, the Contractor rejected responsibility for delays and relied on monthly updates, leading to a Notice to Correct under Sub-Clause 15.1, which remained unresolved after repeated inadequate responses. Following Addendum No. 4 signed on 12.07.2023, the Contractor again failed to submit a revised baseline programme as required, resulting in a further Notice to Correct, which also remains outstanding. The Contractor, with his Monthly Progress Report for June 2026 (ref. RKSP1 37733/26 dated 02.07.2026), submitted an as-built Programme with a new completion date of 12.12.2027.

There is no comprehensive or consolidated assessment of the overall physical progress of the Works in the Engineer's reports up to the end of June 2026. While progress indicators are provided for certain individual activities—such as ditches, culverts, channels, and ballast laying, no aggregated or integrated physical progress assessment for the Project as a whole is presented.

According to the latest programme update submitted by the Contractor as part of the June 2026 Monthly Progress Report, the reported physical progress for Phase 1 Works is approximately 86%, with an estimated completion date of 12.12.2027.

In parallel, the PIS (Project Implementation Support) Consultant has undertaken a comprehensive review of the historical progress under the Phase 1 Works Contract. This review includes an independent assessment of the current physical progress, as well as projections for future progress and the anticipated completion timeline. The results of this analysis, including the assessed progress rate and projected completion date, are presented in the graphic below.

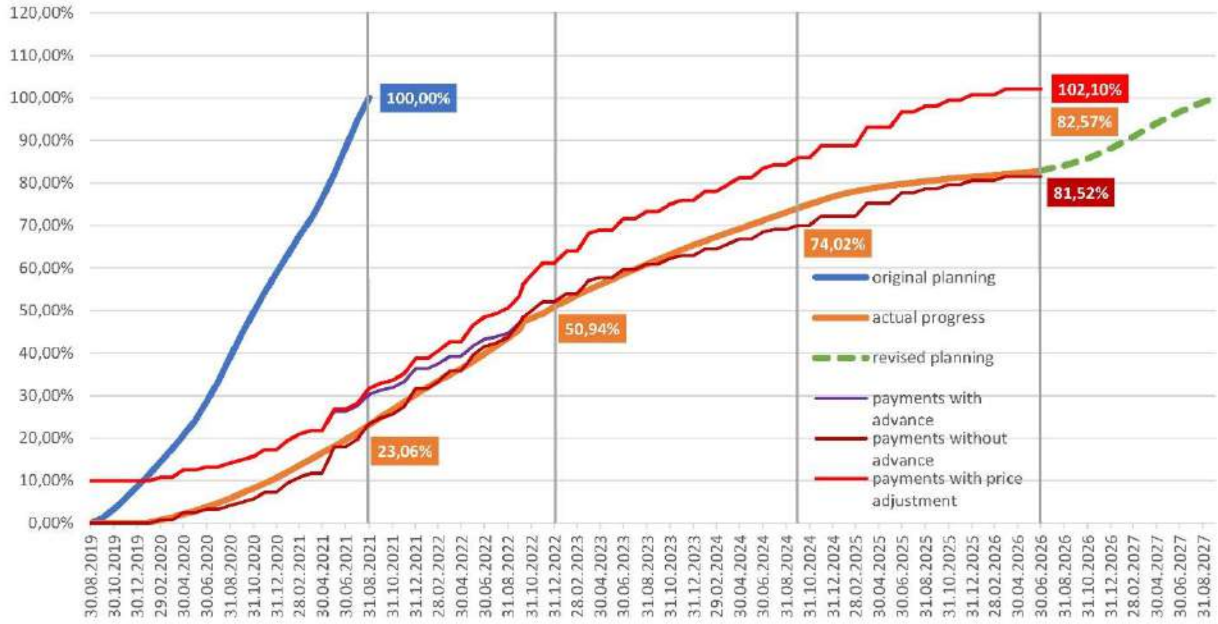


Figure 4 Works Contract Phase 1 Progress Assessment by PIS Consultant

According to the PIS Consultant's assessment, the current physical progress of the Phase 1 Works Contract is estimated at approximately 82.57%, with the overall Project completion projected for around the end of September 2027. This projection is based on the following assumptions:

(1) ongoing dispute concerning the steel bridges shall be fully resolved by no later than July 2026.
(2) The works in steel bridges will be implemented as per the original design.

In parallel, it is considered feasible that a substantial portion of the line between Fushë Kosovë and Hani i Elezit could be brought into operation prior to full completion, provided that critical outstanding components particularly signaling and telecommunication systems are advanced in a timely manner and do not depend on the finalization of all remaining works under the Contract.

The following summary information is provided for agreed and formalized Programme and Extensions of Time under Works Contract Phase 1:

Table 7. Works Contract Phase 1 Programme and Extensions of Time

Description	Original Duration	Original Completion Date	Extension of Time	Revised Contract Duration	Revised Completion Date
Original Contract	730 days	29.08.2021			
Addendum No. 3			488 days	1.218 days	30.12.2022
Addendum No. 4			640 days	1.858 days	30.09.2024
Agreement No. 6			123 days	1.981 days	31.01.2025

The following observations are noted:

- Under Agreement No. 6, all contractual actions concerning the Completion Date have been put on hold until 31.01.2025, allowing the parties to negotiate a definitive agreement and finalize the text of the forthcoming Addendum No. 5 to the Contract. The period designated for suspending contractual actions under Agreement No. 6 has lapsed; while negotiations between the parties for a new addendum are in progress, the project is currently at "Time at Large."
- The Contractor has not submitted an updated Baseline Programme, despite repeated requests and Notices to Correct issued by the Engineer since the signature of Addendum No.4 in July 2023.
- The Contractor maintains that the programme updates included in the Monthly Progress Reports are sufficient to meet the Engineer’s requirements.

3.1.1.2. Payments under Works Contract Phase 1

A summary of the payments under the Works Contract for Phase 1 is provided within the table below with indication of the IPC Nos., cutoff dates, advance payment and amortization and the payments effected for the price adjustment costs.

Table 8. Works Contract Phase 1 Payments

IPC No.	Cutoff date	IPC Amount including Variations	Cumulative IPCs	Financial Progress	Advance Amount	Price Adjustment	Cumulative Price Adjustment
00	Advance	0,00	0,00	0,00%	7.862.563,94	0,00	0,00
01	29.02.2020	609.120,00	609.120,00	0,77%	0,00	590,23	590,23
02	30.04.2020	1.346.736,82	1.955.856,82	2,49%	0,00	2.485,44	3.075,67
03	30.06.2020	594.571,40	2.550.428,22	3,24%	0,00	-8.489,28	11.564,95
04	31.08.2020	707.554,65	3.257.982,87	4,14%	0,00	-1.745,09	13.310,04
05	30.09.2020	610.680,45	3.868.663,32	4,92%	0,00	-1.689,12	14.999,16
06	31.10.2020	600.052,29	4.468.715,61	5,68%	0,00	3.000,01	17.999,17
07	30.11.2020	1.249.767,90	5.718.483,51	7,27%	0,00	1.198,41	19.197,58
08	31.01.2021	1.818.190,10	7.536.673,61	9,59%	0,00	1.909,06	21.106,64
09	28.02.2021	961.453,93	8.498.127,54	10,81%	0,00	45.398,38	66.505,02
10	31.03.2021	681.150,39	9.179.277,93	11,67%	0,00	8.040,27	74.545,29
11	31.05.2021	4.946.827,90	14.126.105,83	17,97%	-1.311.831,77	300.499,16	375.044,45
12	31.07.2021	1.409.134,10	15.535.239,93	19,76%	-351.584,68	71.222,44	446.266,89
13	31.08.2021	2.796.082,31	18.331.322,24	23,31%	-765.508,29	703.285,61	1.149.552,50
14	30.09.2021	1.094.258,80	19.425.581,04	24,71%	-288.434,66	120.202,91	1.269.755,41
15	31.10.2021	691.821,77	20.117.402,81	25,59%	-190.802,92	111.558,93	1.381.314,34
16	30.11.2021	1.385.040,15	21.502.442,96	27,35%	-364.875,31	151.276,94	1.532.591,28
17	31.12.2021	3.375.060,65	24.877.503,61	31,64%	-875.418,83	310.913,38	1.843.504,66
18	28.02.2022	1.266.476,68	26.143.980,29	33,25%	-426.859,13	530.824,91	2.374.329,57
19	31.03.2022	1.994.780,40	28.138.760,69	35,79%	-545.620,57	302.569,38	2.676.898,95
20	31.05.2022	2.836.536,97	30.975.297,66	39,40%	-951.097,79	1.168.085,28	3.844.984,23
21	30.06.2022	1.685.973,51	32.661.271,17	41,54%	-446.194,91	192.741,92	4.037.726,15
22	31.07.2022	673.003,98	33.334.275,15	42,40%	-210.797,95	214.566,32	4.252.292,47

Table 8. Works Contract Phase 1 Payments (continued)

IPC No.	Cutoff date	IPC Amount including Variations	Cumulative IPCs	Financial Progress	Advance Amount	Price Adjustment	Cumulative Price Adjustment
23	31.08.2022	1.008.682,58	34.342.957,73	43,68%	-338.030,75	414.604,80	4.666.897,27
24	30.09.2022	2.567.300,99	36.910.258,72	46,94%	-671.450,63	259.859,57	4.926.756,84
25	31.10.2022	1.127.235,87	38.037.494,59	48,38%	-124.055,75	1.303.282,55	6.230.039,39
26	30.11.2022	2.878.469,51	40.915.964,10	52,04%		950.765,82	7.180.805,21
27	31.01.2023	1.537.774,38	42.453.738,48	53,99%		653.712,62	7.834.517,83
28	31.03.2023	2.431.952,97	44.885.691,45	57,09%		862.162,46	8.696.680,29
29	30.04.2023	475.743,90	45.361.435,35	57,69%		135.661,84	8.832.342,13
30	30.06.2023	1.547.077,67	46.908.513,02	59,66%		544.005,29	9.376.347,42
31	31.08.2023	1.033.876,00	47.942.389,02	60,98%		360.195,83	9.736.543,25
32	31.10.2023	999.932,55	48.942.321,57	62,25%		344.464,70	10.081.007,95
33	30.11.2023	496.304,31	49.438.625,88	62,88%		181.400,45	10.262.408,40
34	31.01.2024	1.237.605,44	50.676.231,32	64,45%		432.103,08	10.694.511,48
35	31.03.2024	936.764,51	51.612.995,83	65,64%		342.200,08	11.036.711,56
36	30.04.2024	882.414,27	52.495.410,10	66,77%		322.345,93	11.359.057,49
37	30.06.2024	1.326.531,19	53.821.941,29	68,45%		464.707,44	11.823.764,93
38	31.07.2024	482.247,24	54.304.188,53	69,07%		174.291,30	11.998.056,23
39	30.09.2024	790.821,51	55.095.010,04	70,07%		433.725,93	12.431.782,16
40	30.11.2024	1.642.206,01	56.737.216,05	72,16%		645.865,16	13.077.647,32
41	31.03.2025	2.440.815,17	59.178.031,22	75,27%		1.022.799,52	14.100.446,84
42	30.06.2025	1.927.717,44	61.105.748,66	77,72%		839.302,18	14.939.749,02
43	31.08.2025	725.598,29	61.831.346,95	78,64%		356.084,95	15.295.833,97
44	31.10.2025	740.111,29	62.571.458,24	79,58%		302.920,43	15.599.935,66
45	31.12.2025	748.470,86	63.319.929,10	80,53%		303.678,22	15.903.613,88
46	31.03.2026	775.532,34	64.095.461,44	81,52%		301.031,33	16.179.616,97

The following summary information is provided as of the cutoff date of 30.06.2026.

Table 9. Summary of Works Contract Phase 1 Payments

No.	Description	Amount (EUR)	Percentage	Notes
A	Accepted Contract Amount	78.625.639,40	100,00%	
B	Total of IPC payments under Contract BoQ Works	53.318.109,33	67,81%	
C	Total Variations (subject to Price adjustment)	9.351.109,22	11,89%	
D	Total Variations (not subject to Price adjustment)	1.426.242,89	1,81%	
E	Total payment for Works	64.095.461,44	81,52%	E=B+C+D
F	Payments for Price Adjustment	16.179.616,97	20,58%	
G	Total payment under Phase 1 Works	80.275.078,41	102,10%	G=E+F

The following remarks are made:
- Advance Payment at the amount of EUR 7.862.563,94 (10% of the Accepted Contract Amount) was paid to the Contractor and the amortization of the advance payment started in IPC No. 11 and finalized at IPC No. 25 at which date to whole advance amount was repaid.
- The overall financial progress (Contract BoQ Works and Variations) is 81,52%.
- The payments for price adjustment costs under GCC Sub-Clause 13.8 [Adjustments for Changes in Cost] exceeds 20%.
- Above information excludes data for retention amounts, provisional sum for DAB, Contractor’s claims on VAT and excise taxes and claimed interest amounts for late payments.
- As of the cutoff date of this report on 30.06.2026, the last IPC (No. 46) relates to the period until end of 31.03.2026.

3.1.1.3. Contractor's Reports under Works Contract Phase 1

The Contractor has submitted the following reports during the first six months (first biannual period) of year 2026 under Works Contract Phase 1.

Table 10. Contractor's Reports for Phase 1 in 2026 first six months

No.	Subject	Period covered	Issue Date	Reference
077	Monthly Progress Report	01.01.2026-31.01.2026	02.02.2026	RKSP1 3666/26
078	Monthly Progress Report	01.02.2026-28.02.2026	04.03.2026	RKSP1 3678/26
079	Monthly Progress Report	01.03.2026-31.03.2026	09.04.2026	RKSP1 3699/26
080	Monthly Progress Report	01.04.2026-30.04.2026	04.05.2026	RKSP1 3711/26
081	Monthly Progress Report	01.05.2026-31.05.2026	04.06.2025	RKSP1 3746/26
082	Monthly Progress Report	01.06.2026-30.06.2026	02.07.2026	RKSP1 3773/25

The following other reports were submitted under Works Contract Phase 1.

Table 11. Contractor's Compliance Reports for Phase 1

No.	Subject	Rev No.	Issue Date	Reference
001	General Method of Statement	-	27.09.2019	RKSP1 56/19
002	Environmental Management Plan	2	01.11.2019	RKSP1 83/19
003	Quality Control Project (QCP)	-	24.10.2019	RKSP1 179/19
004	Occupational Health and Safety Plan	-	01.11.2019	RKSP1 182/19
005	Environmental Monitoring Plan	3	14.12.2021	RKSP1 666/21
006	Community Health and Safety Plan	7	19.04.2022	RKSP1 1990/22
007	Contractor's Child Labor Policy	1	07.04.2021	RKSP1 1214/21
008	Contractor's Grievance Mechanism	3	04.05.2021	RKSP1 1277/21
009	Waste Management Plan	6	21.05.2021	RKSP1 1303/21
010	Hazardous Materials Management Plan	6	21.05.2021	RKSP1 1304/21
011	Fugitive Dust Control Plan	6	21.05.2021	RKSP1 1305/21
012	Stormwater Management Plan	5	25.09.2021	RKSP1 1467/21
013	Water Crossings Management Plan	2	10.12.2021	RKSP1 1651/21
014	Environmental Annex for Tunnels	2	13.10.2022	RKSP1 2409/22

The following remarks are made:

- The Contractor's Health and Safety, Environmental, and Social compliance reports were submitted and/or revised in line with the Engineer's comments and other applicable requirements during the period 2019 to 2022. All such reports shall now be reviewed and updated to ensure compliance with current legislation, reflect the progress achieved to date, and incorporate any newly applicable requirements.
- The Contractor reports that an internal audit (from the Contractor's Head Office Quality Control Department) was carried out on 24-25 June 2025 and 2-3 July 2025 stated to be related to the Health and Safety, Quality and Environmental Management.

3.1.1.4. Contractor’s Resources under Works Contract Phase 1

The Contractor’s personnel (human) resources are regularly reported in the Monthly Progress Reports submitted in accordance with Sub-Clause 4.21 [Progress Reports] of the General Conditions of Contract, typically under Annex 1 of each report. Based on a statistical analysis of the monthly personnel data submitted throughout the first six months of year 2026 under the Phase 1 Works Contract, the key findings concerning the Contractor’s human resources are presented below in graphical form.

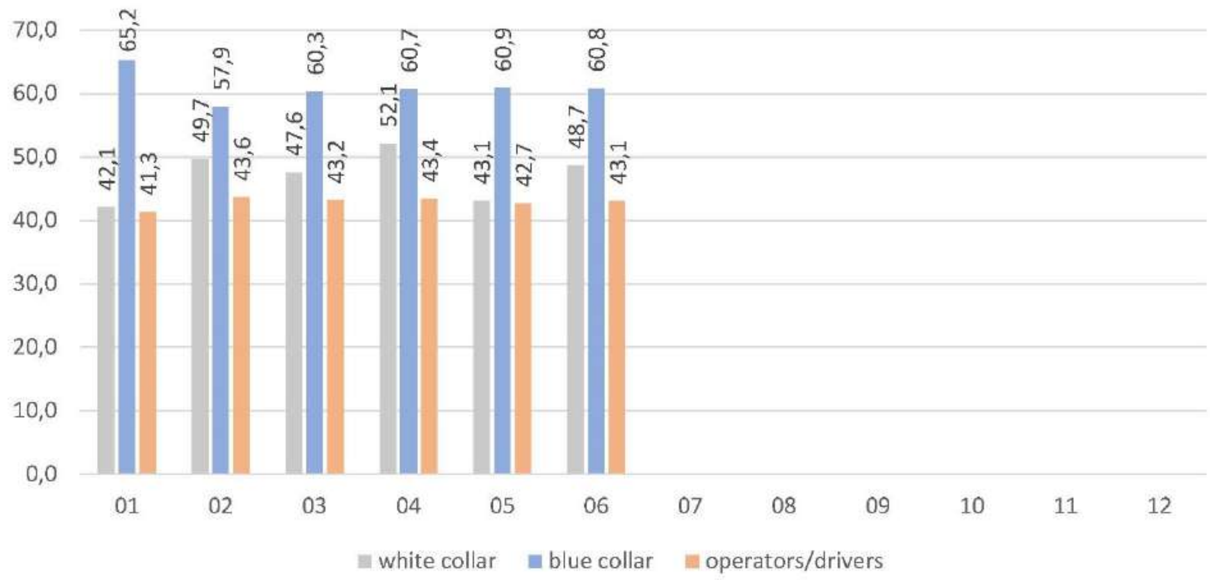


Figure 5 Contractor’s Personnel Resources for Phase 1 for the 1st half of year 2026

The following remarks are made:
- The Contractor's personnel records indicate that the average number of blue-collar workers was approximately 100 during the first half of 2025, declining to around 60 after July 2025 following the reported slowdown at the end of June 2025. This reduced workforce continued throughout the first half of 2026. Even before this reduction, the workforce appeared relatively limited considering the scale and complexity of the works, suggesting that the project may have been under-resourced from the outset.
- In contrast, the number of white-collar personnel remained relatively stable at approximately 50 throughout the period. Compared with the blue-collar workforce, this indicates a potential imbalance between managerial/administrative resources and site execution capacity.
- A similar trend is observed for operators and drivers, whose number averaged around 50 in early 2025, decreasing slightly to approximately 40 after July 2025 and remaining at that level during the first half of 2026. While railway rehabilitation is equipment-intensive, the proportion of operators appears relatively high compared to the available site workforce.
- Overall, the personnel distribution suggests that resources were not optimally allocated for the nature of the works. The relatively limited blue-collar workforce, combined with comparatively high numbers of white-collar staff and operators, may have reduced site productivity and execution efficiency.
- A more balanced allocation, with greater emphasis on site labor, would generally be expected to support more effective and timelier project implementation.

In addition to the above, the Contractor’s reporting methods and practices can hardly be considered compliant with the requirements of Sub-Clause 6.9 [Contractor’s Personnel] and Sub-Clause 6.10 [Records of Contractor’s Personnel and Equipment], which require the provision of detailed information on the number of each category of personnel and each type of equipment. This conclusion is based on the following observations:
- The reports do not provide a breakdown of the workforce by specific categories, work activities, or site locations, thereby limiting transparency on resource allocation.
- The reported workforce figures show little to no variation on a day-to-day basis throughout the months, creating the impression that the data may not be based on actual daily monitoring and recording.
- While equipment types and quantities are listed in the resource tables, essential details, such as equipment specifications, assigned tasks, locations of use, and operational hours are not included.

The following tables present information on the subcontractors engaged by the Contractor. Based on the data provided, the following observations and evaluations are made:

- No subcontractors have been identified as nominated subcontractors within the meaning of Sub-Clause 5.5 [Nominated Subcontractors] of the General Conditions of Contract.
- The information submitted by the Contractor regarding subcontractor engagement is incomplete and lacks key details, including but not limited to approval dates, descriptions of the works performed, and the estimated contract value or financial allocation for each subcontractor. The absence of such information limits transparency and hinders effective review and monitoring in line with Sub-Clause 4.4 [Subcontractors].

Table 12. Sub-Contractors under Works Contract Phase 1 (Works)

No	Subcontractor Name (Works)	Works undertaken	Approval date
01	R & Rukolli Sh.p.k.	Civil works	
02	Hexagon Group Sh.p.k.	Ditches and Retaining Walls	
03	Kastrioti O.P.	Gabions and Riverbeds	19.08.2020
03	Kastrioti O.P.	Railway Ballast Bed	19.08.2020
04	Joint Venture REA Sh.P.K. UNICORN Sh.P.K.	Retrofitting Steel Bridges	3.09.2020
05	Anadolu Albania Company	Tunnels	30.10.2020
06	Jehona Sh.p.k.	Civil works	31.08.2021
07	Lirigzoni S Sh.p.k.	Civil works	17.03.2021
08	Megi Bau GmbH Sh.p.k.	Civil works	24.11.2021
09	SOAL	Civil works	
10	Adnan Bislimi B.I.	Civil works	20.05.2022
11	ELSAM Sh.p.k.	Bridges Retrofitting	
12	CONEX	Civil works	11.10.2022
13	Euroteorema Peqin	Civil works	
14	GSA	Steel Bridges	
15	Garden Line Sh.p.K.	Slope Protections	
16	Caja Company	Civil works	
17	Komplast Group	Tunnel No. 5	

Table 13. Sub-Contractors under Works Contract Phase 1 (Engineering)

No	Subcontractor Name (Engineering)	
01	GeoConsult Sh.p.k.	Topographical Survey
02	Gjeodeti Kompani Gjeodezike	Topographical Survey
03	Soil Engineering S.r.l.	Tunnels Design Analysis and Geological Survey
04	GECO-DMC S.r.l.	Tunnels Geophysical Investigation
05	MAFFEIS Engineering S.p.A.	Steel Bridges Retrofitting

Overall, the current level of subcontractor reporting and documentation is insufficient to demonstrate full compliance with contractual requirements. The lack of clarity and completeness in the submitted information restricts the Engineer’s ability to properly assess subcontractor engagement, verify approvals, and monitor performance. This situation introduces potential risks related to oversight, quality assurance, and contractual compliance. It is therefore recommended that the Contractor enhances its reporting practices by providing comprehensive, accurate, and up-to-date information on all subcontractors, ensuring full transparency and alignment with the Contract provisions.

3.1.1.5. Claims, Disputes and DAB Procedures under Works Contract Phase 1

The following information is provided regarding the Claims, Disputes, and DAB procedures under the Works Contract for Phase 1:

- The Contractor has submitted a total of 81 Claims in accordance with Sub-Clause 20.1 [Contractor's Claims] of the General Conditions of Contract.
- The Employer has submitted 13 notices under Sub-Clause 2.5 [Employer's Claims].

The notably high number of claims submitted by the Contractor, in contrast with the limited number of Employer's Claims, indicates a pronounced tendency toward an aggressive claims management approach. This pattern suggests a claim-oriented and dispute-prone contractual posture, whereby a broad range of issues, most of which could potentially be addressed through routine contract administration and mutual resolution have instead been formalized as claims. Such an approach risks overburdening the contract management and dispute resolution mechanisms, including the DAB, and adversely affects the efficiency and collaborative spirit expected in the execution of the Works.

As of the cutoff date of this report, there are six (6) disputes referred to Dispute Adjudication Board by the Contractor. The DAB (Mr. Paul Taggart) for Phase 1 Works Contract was appointed by signed agreements between the Parties and the DAB member, which took effect on 23 January 2020. The DAB referrals and corresponding procedures carried out under the Phase 1 Works Contract are the following:

Table 14. DAB Procedures under Phase 1 Works

No.	Referral by	Referral Date	Decision Date	Subject
01	Contractor	19.11.2020	14.01.2021	Removal of Contractor's Representative
02	Contractor	16.08.2022	09.11.2022	Calculation for Price Adjustment Sub-Clause 13.8
03	Contractor	04.09.2024	26.03.2025	Contractor's Design Steel Bridges
04	Contractor	07.11.2024	24.01.2025	Excise Tax, VAT and Customs Duties on fuel and other materials
05	Contractor	17.06.2025	18.09.2025	Employer's Design for the Retrofit of Steel Bridges
06	Contractor	04.03.2026	27.05.2026	Excise Tax, VAT and Customs Duties on fuel and other materials

The DAB proceedings under the Phase 1 Works Contract have, in the majority of cases, resulted in decisions in favor of the Contractor. A summary of the key outcomes is provided below:

- In relation to DAB Referral No. 1, the DAB determined that the Engineer's instruction dated 16.11.2020 to remove the Contractor's Representative (Mr. Roberto Accinelli) from the Site was unjustified.
- DAB Decision No. 2 addressed the revision of the price adjustment calculations applied to Interim Payment Certificates (IPCs) up to IPC No. 28.
- With respect to DAB Referral No. 3, the DAB concluded that the Contractor's steel bridge design complied with the Employer's Requirements and good engineering practice. It further found that the Employer and the Engineer had unreasonably withheld and delayed approvals, and that the omission (descope) of the steel bridges from the Contract scope constituted a breach of Sub-Clause 13.1(d) and was contrary to Addendum No. 4. The Employer was also found responsible for the resulting delays.
- In DAB Referral No. 4, the DAB determined that the Kosovo Customs Authority's decision to impose excise tax, VAT, and customs duties on fuel and other imported materials constitutes a change in law under Sub-Clause 13.7, as well as a breach of the Employer's representations at tender stage regarding tax exemptions. The DAB concluded that the Contractor has incurred (and will continue to incur) additional costs due to these measures, and that the Employer is liable to compensate such costs, quantified at EUR 2,597,081.15 at the time of the decision.
- Regarding DAB Referral No. 5, the DAB found that the original steel bridge retrofitting design which Variation No. 27 sought to reinstate was flawed, incomplete, and not fit for implementation. Consequently, Variation No. 27 was declared illegitimate, ineffective, and incapable of execution.
- In Decision No. 6, the DAB held that the Engineer's Instruction introducing additional evidentiary requirements for the certification of VAT and excise taxes on fuel was inconsistent with the Contract, and ordered the certification and payment of the Contractor's claimed amounts and interest.

Overall, the DAB decisions reveal a consistent pattern of findings in favour of the Contractor, particularly on design compliance, contractual interpretation, and entitlement to additional time and cost. They also highlight weaknesses in contract administration, including delayed approvals, disputed variations, and the handling of legislative changes. Collectively, these decisions have increased the Employer's financial exposure, extended the Project schedule, and elevated the risk of further disputes, underscoring the need for stronger contract management and more proactive dispute avoidance.

3.1.2. Works Contract Phase 2 Fushë Kosovë-Mitrovicë

Phase 2 of the Project primarily involves the rehabilitation of the existing single-track railway line between Fushë Kosovë and Mitrovicë, extending from approximately km 246+888 to km 212+519, with a total length of 34.37 km. The scope further includes the rehabilitation of secondary tracks at five (5) existing stations and five (5) stops, covering an additional total length of 9.63 km.

Table 15. Scope and Type of Works Phase 2

No	Description	Quantity	Notes
1	Railway length main alignment	34,370 km	UIC 60 Rail track and UIC 60 turnouts
2	Other secondary trackwork length	9,630 km	S 49
3	Stations	5	
4	Stop Stations	5	
5	Bridges	17	Total length of bridges is 773 m
6	Tunnels	7	Total length of tunnels is 983 m
7	Level Crossings	23	

The scope of Works under Phase 2 includes protection measures for the permanent way, comprising primarily approximately 14 km of retaining walls and around 3.2 km of gabion walls, to be constructed along both the right-hand and left-hand sides of the alignment.

Table 16. Works Contract Data Phase 2

Works Contract Name	Phase 2 - Rehabilitation of Southern Part of Railway Route 10, Fushe Kosove- Mitrovica, from km 246+888.00 to km 212+519.00
Contractor	GCF Generale Costruzioni Ferroviarie S.p.A.
Contract Date	08.12.2021
Commencement Date	10.10.2022
Original Duration	455 days
Original Completion Date	08.01.2024
Extension of Time	674 days
Revised Completion Date	12.11.2025
Accepted Contract Amount	EUR 47.927.505,32

The following Contract Addenda and Agreements were signed between the Parties.

Table 17. Addenda and Agreements under Works Contract Phase 2

No	Description	Date	Time Effect	Cost Effect	Notes
1	Addendum No. 1	19.12.2022			Agreement on Provisional Sum
2	Agreement No. 2	05.01.2024	30 days		Completion Date (08.02.2024)
3	Agreement No. 3	09.02.2024	30 days		Completion Date (08.03.2024)

The following remarks are made:

- Following the Employer’s failure to effect timely payment of IPC-14C by the due date of 25 June 2025, the Contractor invoked Sub-Clause 16.1 [Contractor’s Entitlement to Suspend Work] on 30 June 2025. As the outstanding payment remained unsettled, the Contractor subsequently issued a notice dated 22 July 2025, informing the Employer that, effective 23 July 2025, it would reduce the rate of progress of the Works on Site until full payment is received.
- The Employer made partial payments for IPC-14C and IPC-14D with delay. Following this, the Contractor submitted invoices claiming interest on the delayed payments in accordance with the provisions governing Interim Payment Certificates 14C and 14D.
- By its letter referenced RKSP2 1585/25 dated 07.08.2025, addressed directly to the Employer, the Contractor raised concerns regarding the delayed payments and asserted that the prevailing circumstances entitle it to terminate the Contract under Sub-Clause 16.2 [Termination by Contractor] of the General Conditions of Contract.

3.1.2.1. Programme and Progress under Works Contract Phase 2

The Contractor initially submitted a preliminary cash flow and revised Programme of Works on 01.10.2021. A Baseline Programme (Rev. 0) submitted in June 2022 was rejected by the Engineer due to a unilateral extension of the contract duration. Programme submissions were subsequently suspended by mutual agreement during ongoing negotiations. Revised and “as-built” programmes were later submitted and reviewed; however, no formally approved updated baseline programme has been established, with the Contractor relying instead on monthly updates through Progress Reports.

As of the current reporting period, the Project no longer has a defined Time for Completion. The Extensions of Time granted through the DAB decision and the Engineer’s provisional assessment have expired, resulting in a “time at large” situation under the Contract.

There is no comprehensive or consolidated assessment of the overall physical progress of the Works in the Engineer’s reports up to the end of June 2026. While progress indicators are provided for certain individual activities such as trackwork, ditches, culverts, channels, and ballast laying, and no aggregated or integrated physical progress assessment for the Project as a whole is presented.

According to the latest programme update submitted by the Contractor as part of the June 2026 Monthly Progress Report, the reported physical progress for Phase 2 Works is approximately 62%, with an estimated completion date of 17.03.2028. In parallel, the PIS (Project Implementation Support) Consultant has undertaken a comprehensive review of the historical progress under the Phase 2 Works Contract. This review includes an independent assessment of the current physical progress, as well as projections for future progress and the anticipated completion timeline. The results of this analysis, including the assessed progress rate and projected completion date, are presented in the graphic below.

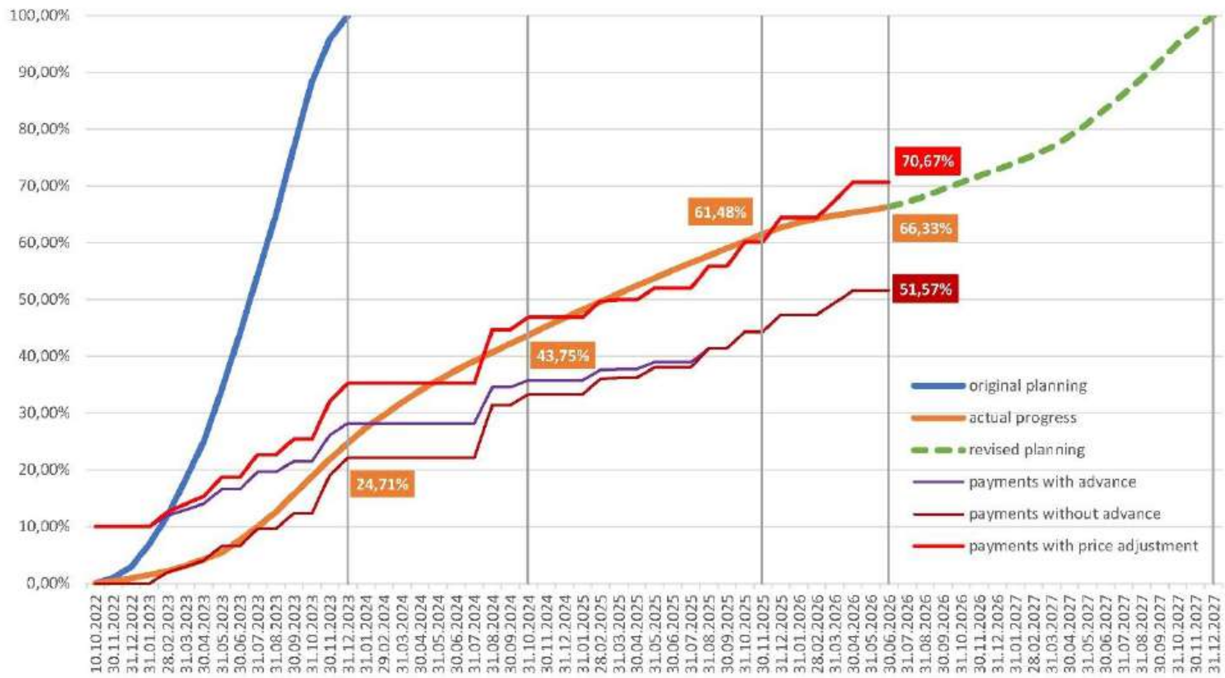


Figure 6 Works Contract Phase 2 Progress Assessment by PIS Consultant

The following summary information is provided for agreed and formalized Programme and Extensions of Time under Works Contract Phase 2:

Table 18. Works Contract Phase 1 Programme and Extensions of Time

Description	Original Duration	Original Completion Date	Extension of Time	Revised Contract Duration	Revised Completion Date
Original Contract	455 days	08.01.2024			
DAB Decision No. 2			288 days	743 days	22.10.2024
Provisional EoT			386 days	1.129 days	12.11.2025

According to the PIS Consultant’s assessment, the current physical progress of the Phase 2 Works Contract is estimated at approximately 66.33%, with the overall Project completion projected for around the end of December 2027.

3.1.2.2. Payments under Works Contract Phase 2

A summary of the payments under the Works Contract for Phase 2 is provided within the table below with indication of the IPC Nos., cutoff dates, advance payment and amortization and the payments effected for the price adjustment costs.

Table 19. Works Contract Phase 2 Payments

IPC No.	Cutoff date	IPC Amount including Variations	Cumulative IPCs	Financial Progress	Advance Amount	Price Adjustment	Cumulative Price Adjustment
00	Advance	0,00	0,00	0,00%	4.792.750,53	0,00	0,00
01	28.02.2023	941.897,64	941.897,64	1,97%		314.311,24	314.311,24
02	31.03.2023	487.521,68	1.429.419,32	2,98%		162.685,99	476.997,23
03	30.04.2023	510.624,10	1.940.043,42	4,05%		136.250,50	613.247,73
04	31.05.2023	1.223.533,98	3.163.577,40	6,60%		386.759,09	1.000.006,82
05	31.07.2023	1.470.400,75	4.633.978,15	9,67%		463.990,20	1.463.997,02
06	30.09.2023	1.267.652,00	5.901.630,15	12,31%	-396.526,91	399.563,91	1.863.560,93
07	30.11.2023	3.243.480,67	9.145.110,82	19,08%	-1.016.774,76	1.020.754,03	2.884.314,96
08	31.12.2023	1.458.364,65	10.603.475,47	22,12%	-463.563,35	494.311,93	3.378.626,89
14	31.08.2024	4.436.488,09	15.039.963,56	31,38%	-1.412.351,68	1.496.837,03	4.875.463,92
14A	31.10.2024	927.875,07	15.967.838,63	33,32%	-320.229,80	450.426,54	5.325.890,46
14B	28.02.2025	1.276.156,38	17.243.995,01	35,98%	-419.145,01	489.316,93	5.815.207,39
14C	31.03.2025	119.323,79	17.363.318,80	36,23%	-40.335,36	50.338,18	5.865.545,57
14D	31.05.2025	868.919,86	18.232.238,66	38,04%	-298.436,97	383.900,68	6.249.446,25
14E	31.08.2025	1.592.857,27	19.825.095,93	41,36%	-425.386,69	689.376,05	6.938.822,30
15	31.10.2025	1.409.960,72	21.235.056,65	44,31%		621.289,97	7.560.112,27
16	31.12.2025	1.460.589,84	22.695.646,49	47,35%		632.289,35	8.192.401,62
17	31.03.2027	996.154,37	23.691.800,86	49,43%		431.235,22	8.623.636,84
18	30.04.2026	1.023.993,72	24.715.794,58	51,57%		531.769,38	9.155.406,22

The following summary information is provided as of the cutoff date of 30 June 2026.

Table 20. Summary of Works Contract Phase 1 Payments

No.	Description	Amount (EUR)	Percentage	Notes
A	Accepted Contract Amount	47.927.505,32	100,00%	
B	Total of IPC payments under Contract BoQ Works	24.708.708,29	51,55%	
C	Total Variations (subject to Price adjustment)	0,00	0,00%	
D	Total (not subject to Price adjustment)	7.086,29	0,01%	
E	Total payment for Works	24.715.794,58	51,57%	E=B+C+D
F	Payments for Price Adjustment	9.155.406,22	19,10%	
G	Total payment under Phase 1 Works	33.871.200,80	70,67%	G=E+F

The following remarks are made:

- Advance Payment at the amount of EUR 4.792.750,53 (10% of the Accepted Contract Amount) was paid to the Contractor and the amortization of the advance payment started in IPC No. 6 and finalized at IPC No. 14E at which date to whole advance amount was repaid.
- The overall financial progress (Contract BoQ Works and Variations) is 51,57%.
- The price adjustment costs under GCC Sub-Clause 13.8 [Adjustments for Changes in Cost] reached to around 19%.
- Above information excludes data for retention amounts, provisional sum for DAB, Contractor's claims on VAT and excise taxes and claimed interest amounts for late payments.

3.1.2.3. Contractor's Reports under Works Contract Phase 2

The Contractor has submitted the following reports during the annual period of year 2025 under Works Contract Phase 2.

Table 21. Contractor's Reports for Phase 2 in 2025

No.	Subject	Period covered	Issue Date	Reference
039	Monthly Progress Report	01.01.2026-31.01.2026	02.02.2026	RKSP2 1759/26
040	Monthly Progress Report	01.02.2026-28.02.2026	05.03.2025	RKSP2 1800/26
041	Monthly Progress Report	01.03.2026-31.03.2026	10.04.2025	RKSP2 1844/26
042	Monthly Progress Report	01.04.2026-30.04.2026	05.05.2025	RKSP2 1865/26
043	Monthly Progress Report	01.05.2026-31.05.2026	08.06.2025	RKSP2 1891/26
044	Monthly Progress Report	01.06.2026-30.06.2026	02.07.2025	RKSP2 1908/26

The following other reports were submitted under Works Contract Phase 2.

Table 22. Contractor's Compliance Reports for Phase 2

No.	Subject	Rev No.	Issue Date	Reference
001	General Method of Statement	-	25.10.2022	RKSP2 0039/22
002	Quality Control Project (QCP)	-	16.02.2023	RKSP2 0169/23
003	Occupational Health and Safety Plan	3	16.03.2023	RKSP2 0097/23
004	Traffic Management Plan	-	03.04.2023	RKSP2 0220/23
005	Environmental Management Plan	4	19.05.2023	RKSP2 0288/23
006	Waste Management Plan	2	15.07.2023	RKSP2 0378/23
007	Community Health and Safety Plan	-	07.09.2023	RKSP2 0470/23
008	Fugitive Dust Control Plan	-	08.09.2023	RKSP2 0476/23
009	Water and Rivers Crossings Management Plan	-	05.10.2023	RKSP2 0532/23

The following remarks are made:

- The Contractor's Health and Safety, Environmental, and Social compliance reports were submitted and/or revised in line with the Engineer's comments and other applicable requirements during the period 2022 to 2023. All such reports shall now be reviewed and updated to ensure compliance with current legislation, reflect the progress achieved to date, and incorporate any newly applicable requirements.
- The Contractor reports that an internal audit (from the Contractor's Head Office Quality Control Department) was carried out on 24-25 June 2025 and 2-3 July 2025 stated to be related to the Health and Safety, Quality and Environmental Management.

3.1.2.4. Contractor's Resources under Works Contract Phase 2

The Contractor's personnel (human) resources are regularly reported in the Monthly Progress Reports submitted in accordance with Sub-Clause 4.21 [Progress Reports] of the General Conditions of Contract, typically under Annex 1 of each report. Based on a statistical analysis of the monthly personnel data submitted throughout 2025 under the Phase 2 Works Contract, the key findings concerning the Contractor's human resources are presented below in graphical form.

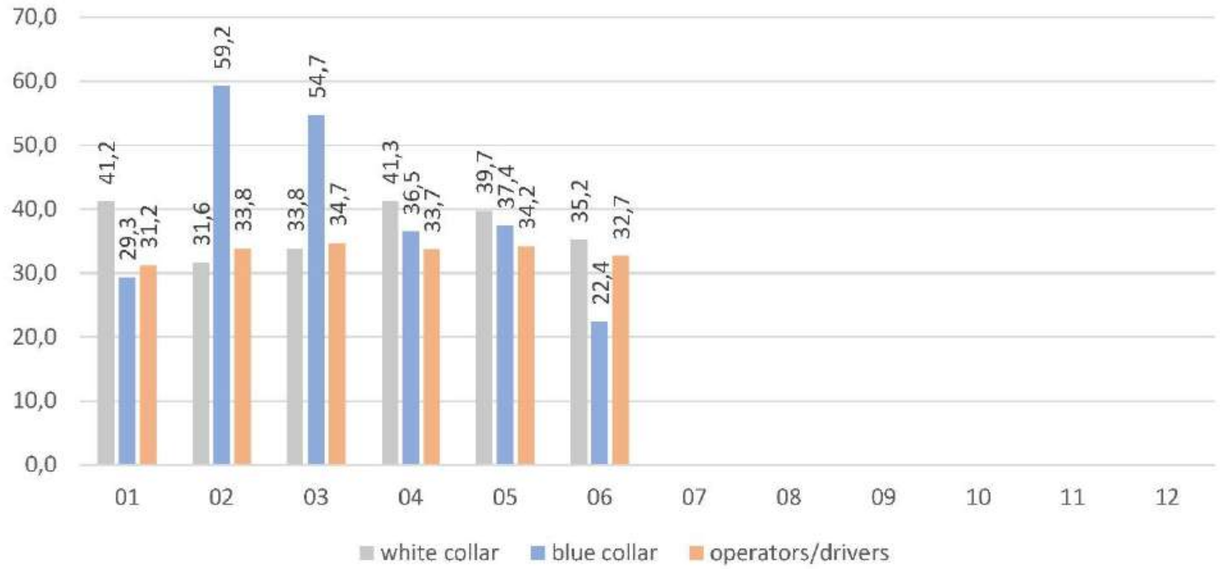


Figure 7 Contractor's Personnel Resources for Phase 2 for the 1st half of year 2026

The following remarks are made:

- The analysis of the Contractor's personnel deployment indicates that the average workforce remained at approximately 50 personnel throughout 2025 and the first six months of 2026. Considering the scale and complexity of the Works, this staffing level appears manifestly inadequate and indicates that the Project may have been consistently under-resourced, adversely affecting the Contractor's ability to maintain an acceptable rate of progress.
- The number of white-collar personnel remained relatively stable throughout 2025 at approximately 50 staff before decreasing to an average of around 40 during the first half of 2026. Even after this reduction, the ratio of white-collar to blue-collar personnel remains comparatively high considering the scale of the execution workforce, indicating that managerial and administrative resources may not have been matched by a corresponding level of on-site construction capacity.
- A similar trend is observed in the number of operators and drivers, which averaged approximately 35 personnel during 2025 and decreased marginally to around 32–33 during the first half of 2026. Although railway rehabilitation is inherently equipment- and operator-intensive, the relatively high proportion of operators and drivers compared with the overall workforce, together with the limited number of blue-collar personnel, may indicate an imbalance in the composition of the Contractor's site resources.
- Overall, the personnel distribution suggests that the Contractor's resource allocation was not fully aligned with the requirements of the Works. The relatively limited number of blue-collar personnel, combined with a comparatively high proportion of white-collar staff and operators, indicates a workforce composition that may not have been optimal for sustaining efficient site operations. In projects of this nature, a greater allocation of direct construction labor would generally be expected to facilitate more efficient execution and support a higher rate of progress.

In addition to the above, the Contractor's reporting methods and practices can hardly be considered compliant with the requirements of Sub-Clause 6.9 [Contractor's Personnel] and Sub-Clause 6.10 [Records of Contractor's Personnel and Equipment], which require the provision of detailed information on the number of each category of personnel and each type of equipment. This conclusion is based on the following observations:

- The reports do not provide a breakdown of the workforce by specific categories, work activities, or site locations, thereby limiting transparency on resource allocation.
- The reported workforce figures show little to no variation on a day-to-day basis throughout the months, creating the impression that the data may not be based on actual daily monitoring and recording.
- While equipment types and quantities are listed in the resource tables, essential details, such as equipment specifications, assigned tasks, locations of use, and operational hours are not included.

The following tables present information on the subcontractors engaged by the Contractor. Based on the data provided, the following observations and evaluations are made:

- No subcontractors have been identified as nominated subcontractors within the meaning of Sub-Clause 5.5 [Nominated Subcontractors] of the General Conditions of Contract.
- The information submitted by the Contractor regarding subcontractor engagement is incomplete and lacks key details, including but not limited to approval dates, descriptions of the works performed, and the estimated contract value or financial allocation for each subcontractor. The absence of such information limits transparency and hinders effective review and monitoring in line with Sub-Clause 4.4 [Subcontractors].
- In accordance with Particular Conditions (PCC) Sub-Clause 4.4 [Subcontractors], the Contractor is required to obtain the Engineer's prior consent for any proposed subcontractor where the subcontract value exceeds one percent (1%) of the Contract Price, as well as for any replacement of subcontractors named in the Contract.

Table 23. Sub-Contractors under Works Contract Phase 2 (Works)

No	Subcontractor Name (Works)	Works undertaken	Approval date
01	R & Rukolli Sh.p.k.	Civil works	Nominated
02	NTP Kastrioti O.P.	Civil works	26.04.2024
03	CONEX	Civil works	11.10.2022
04	JV G3 Engineering, Bavaria and CRON	Buildings	3.03.2023
05	Ar-Tech Company	Buildings	
06	Dino Sh.p.K.	Civil works	10.05.2024
07	Eurondertimi Sh.p.k.	Civil works	
08	Elsam	Steel Bridges	

Table 24. Sub-Contractors under Works Contract Phase 2 (Engineering)

No	Subcontractor Name (Engineering)	
01	GeoConsult Sh.p.k.	Topographical Survey
02	Gjeodeti Kompani Gjeodezike	Topographical Survey

Overall, the current level of subcontractor reporting and documentation is insufficient to demonstrate full compliance with contractual requirements. The lack of clarity and completeness in the submitted information restricts the Engineer's ability to properly assess subcontractor engagement, verify approvals, and monitor performance. This situation introduces potential risks related to oversight, quality assurance, and contractual compliance. It is therefore recommended that the Contractor enhances its reporting practices by providing comprehensive, accurate, and up-to-date information on all subcontractors, ensuring full transparency and alignment with the Contract provisions.

3.1.2.5. Claims, Disputes and DAB Procedures under Works Contract Phase 2

The following information is provided regarding the Claims, Disputes, and DAB procedures under the Works Contract for Phase 2:

- The Contractor has submitted a total of 122 Claims in accordance with Sub-Clause 20.1 [Contractor's Claims] of the General Conditions of Contract.
- The Employer has submitted 3 notices under Sub-Clause 2.5 [Employer's Claims].

The notably high number of claims submitted by the Contractor, in contrast with the limited number of Employer's Claims, indicates a pronounced tendency toward an aggressive claims management approach. This pattern suggests a claim-oriented and dispute-prone contractual posture, whereby a broad range of issues, most of which could potentially be addressed through routine contract administration and mutual resolution have instead been formalized as claims. Such an approach risks overburdening the contract management and dispute resolution mechanisms, including the DAB, and adversely affects the efficiency and collaborative spirit expected in the execution of the Works.

As of the cutoff date of this report, there are three (3) disputes referred to Dispute Adjudication Board by the Contractor. The DAB (Mr. Guillaume Sauvaget) for Phase 2 Works Contract was appointed by signed agreements between the Parties and the DAB member, which took effect on 17 May 2023. The DAB referrals and corresponding procedures carried out under the Phase 1 Works Contract are the following:

Table 25. DAB Procedures under Phase 2 Works

No.	Referral by	Referral Date	Decision Date	Subject
01	Contractor	19.11.2020	29.10.2024	Extension of Time
02	Contractor	07.11.2024	24.01.2025	Excise Tax, VAT and Customs Duties on fuel and other materials
03	Contractor	04.03.2026	26.05.2026	Excise Tax, VAT and Customs Duties on fuel and other materials

The DAB proceedings under the Phase 2 Works Contract have resulted in decisions in favour of the Contractor. A summary of the key outcomes is provided below:

- With respect to DAB Referral No. 1, the DAB determined that the Contractor is entitled to an Extension of Time of 288 days commencing on 08.01.2024, with a cut-off date of 30.04.2024. Accordingly, the Delay Damages previously applied are to be reimbursed by the Employer.
- In Decision No. 1, the DAB further concluded that the Kosovo Customs Authority's decision dated 08.09.2023 to impose excise tax, VAT, and customs duties on fuel and other imported materials and to reclaim previously granted exemptions together with its confirmation by the Kosovo judicial authorities, constitutes a change in the judicial or official interpretation of the Laws of the Country within the meaning of Sub-Clause 13.7 of the General Conditions. This was also found to represent a breach of the Employer's representations made in the "Clarification Points-Third Set," which form part of the Contract.
- Under DAB Referral No. 2, the DAB determined that the Contractor has incurred, and will continue to incur, additional costs as a result of the measures implemented by the Kosovo Customs Authority. The Employer is therefore liable to compensate such costs, which were quantified at EUR 822.051,82 at the time of the decision.
- In Referral and Decision No. 3, the DAB held that the Engineer's Instruction introducing additional evidentiary requirements for the certification of VAT and excise taxes on fuel was inconsistent with the Contract, and ordered the certification and payment of the Contractor's claimed amounts and interest.

Overall, the DAB outcomes under the Phase 2 Works Contract confirm the Contractor's entitlement to both time and cost relief, primarily arising from delays and changes in the legal and fiscal environment. The decisions establish the Employer's liability for reimbursing delay damages and compensating additional costs linked to the withdrawal of tax exemptions, thereby increasing the Project's financial exposure. Collectively, these determinations highlight the material impact of external regulatory changes and contractual representations on project performance, while also underscoring the need for strengthened contract administration and proactive risk management to mitigate further disputes and financial implications.

3.2. Consultancy (Service) Contracts

3.2.1. Consultancy Contract for PIU Support

The Consultancy Contract referenced 2014232-06 for “Project Implementation Support Services - Railway Route 10 Rehabilitation Project Technical Assistance to PIU in Pristina (Kosovo)” was signed between INFRAKOS JSC and TÜMAŞ Türk Mühendislik Müşavirlik ve Müteahhitlik A.Ş. on 30.06.2025. The effective date of the Contract has been 05.07.2025. TÜMAŞ offices were established within the INFRAKOS premises and provision of services actually commenced around mid-August 2025. The Contract information is provided below.

Table 26. Information about PIS Consultant Contract

Contract Reference and Date	2014232-06 (30.06.2025)
Contractor	TÜMAŞ Türk Mühendislik Müşavirlik ve Müteahhitlik A.Ş.
Commencement Date	05.07.2025
Original Time for Completion	36 months
Original Completion Date	05.07.2028
Original Contract Price	823.000,00 EUR

The overall objective of the Assignment is to facilitate the timely and effective implementation of the overall Project by providing assistance to the Client. The PIU Support Consultant has the following obligations:

- Support the Client to complete the procurement necessary for the Project
- Support the Client during the contract administration and implementation of major infrastructure works along Rail Route 10,
- Further develop the technical and administrative capacity within the Client, and monitor, report, and evaluate on compliance of the Project to the “Safeguard Provisions”

3.2.1.1. Organization of Project Implementation Support Consultant

Under the original Service Contract, the PIS Consultant's team comprises three (3) Key Experts, five (5) Non-Key Experts, and such additional backstopping personnel as required for the proper performance of the Services. Following the signature of Addendum No. 2 to the Service Contract on 22.05.2026, the Consultant's team is organized as follows:

Table 27. PIS Consultant’s Personnel Organization

Key Experts			
Expert No	Position	Name Surname	man-months
KE 01	Project Manager/Team Leader	Gökhan Berk	16,00
KE 02	Contracts, Procurement and Claims Manager	Deniz Heperler	9,00
KE 03	Signaling and Telecommunication Expert	Ayhan Kaya	4,00
		Total man-months	29,00
Non-Key Experts			
NKE 1.1	Civil Engineering Works Expert	Vladimir Babamov	2,00
NKE 1.2	Tunnels Expert	Burak Göktepe	2,00
NKE 1.3	Bridges Expert		2,00
NKE 2	Finance and Disbursement Specialist	Bulinë Gashi	2,00
NKE 3	Procurement and Monitoring Specialist		2,00
NKE 4	Environmental and Social Specialist	Blert Gjinolli	6,00
NKE 5	Health and Safety Specialist	Besart Bucinca	6,00
NKE 6	Legal Expert	Visar Morina	2,00
		Total man-months	24,00

The following remarks are made:

- Due to personal circumstances, the PIS Consultant's Project Manager/Team Leader was replaced. This change was formalized through Addendum No. 1, signed on 15.01.2026.
- In response to the Project's evolving requirements, the Non-Key Expert positions were restructured, as reflected in the table above and formalized through Addendum No. 2, signed on 22.05.2026. In particular, the former NKE 1 (Technical Supervision and Quality Control Engineer) position was divided into specialized roles covering civil works, tunnels, and bridges, while a new NKE 6 (Legal Expert) position was introduced. The overall allocation of person-months for both Key Experts and Non-Key Experts remained unchanged.

3.2.1.2. Project Implementation Support Consultant Reports

The Reports (deliverables) to be prepared and submitted under the PIS Consutant's assignment are defined mainly under ToR Section 5 [Reporting and Deliverables]. The following deliverables have been identified in ToR Section 5 [Reporting and Deliverables] for submittal by the Consultant.

Table 28. Listing of the Deliverables by the PIS Consultant

No	Description of the Report	Nr. of Copies	Delivery Deadline	Date
01	Inception Report	2	4 weeks after the Mobilization Date	31.07.2025
02	Quarterly Progress Report	2	Every 3 months in 10 working days	10.10.2025
03	Draft Project Completion Report	2	6 weeks after Project Completion	11.08.2028
04	Final Project Completion Report	2	4 weeks after the Client's comments	29.09.2028
05	Specific Reports	2	Within a reasonable time	

The following information is provided with regards to the status of the deliverables to be prepared and submitted by the PIS Consultant:

Table 29. Listing of the Deliverables by the PIS Consultant

No	Description	Document No	Rev	Period Covered	Issue Date
04	Quarterly Report 03	PR.52.QR.003	0	01.01-31.03.2026	15.06.2026
03	Quarterly Report 02	PR.52.QR.002	0	01.10-31.12.2025	10.01.2026
02	Quarterly Report 01	PR.52.QR.001	0	01.07-30.09.2025	10.10.2025
01	Inception Report	PR.51.IN.001	0	N/A	15.08.2025

In addition to the above, the Specific Reports are to be prepared and submitted by the Project Implementation Support Consultant are described in ToR Section 5.4 [Specific Report]. According to the prescriptions of ToR, the Consultant is expected to provide responsive and issue-specific documentation whenever critical developments or bottlenecks arise in areas such as procurement, financial flows, technical execution, or administrative decisions. These reports are often triggered by events, such as a procurement delay, cost overrun, variation order, non-compliance event, or Environmental and Social concerns, and are not necessarily planned deliverables but rather reactive or ad-hoc outputs that support INFRAKOS and PIU decision-making. The following specific and other reports and documents are prepared and provided:

- A presentation has been prepared to summarize PIS Consultant organization and activities and agree on the roadmap for services (August 2025).
- Report and Presentation for the review of the Project Progress, Risk Analysis and Risk Map and proposed mitigation measures (November 2025)
- SWOT Analysis (November 2025).
- Several specific evaluations have been made with regards to the specific subjects and those have been communicated to the PIU via verbal and/or written notices.
- The Consultant has also provided input and comments for the DAB procedures under Phase 1 and Phase 2 and participated to the response, procedures and hearing for DAB Referral No. 5 and No. 6 under Phase 1 and No. 3 under Phase 2.

3.2.2. Supervision Services Contracts

This section provides information about the Supervision Services Contracts for the Project, specifically for the following:

(1) Supervision Service Contract for Phase 1 (Hill International N.V.)
(2) Supervision Service Contract for Phase 2 (Hill International N.V. and DB Engineering and Consulting GmbH JV)
(3) Supervision Service Contract for Phase 1 and Phase 2 (EPTISA Servicios de Ingenieria and ARDANUY Ingenieria SA JV)

3.2.2.1. Supervision Contract for Phase 1

The general information and progress of the Supervision Contract for Phase 1 is described in table below.

Table 30. Information about Phase 1 Supervision Contract

Contract Reference and Date	C41063/624/2648 (29.01.2019)
Contractor	Hill International N.V.
Commencement Date	01.02.2019
Original Time for Completion	48 months (36 months+12 months DNP)
Original Completion Date	31.01.2023
Extensions of Time	48+33 months
Actual Completion Date	30.09.2025
Original Contract Price	1.399.970,00 EUR
Revised Contract Price	6.658.445,00 EUR

There have been 9 Addenda under the subject Supervision Service Contract as described and explained in table below, which have changed mainly the maximum contract amount and completion date.

Table 31. Phase 1 Supervision Service Contract Addenda

No.	Date	Subject
01	29.05.2019	Change of the Contract Article 3.06 [Payment of Fees and Expenses] sub paragraph (c) concerning the Advance Payment.
02	30.09.2021	- The maximum contract amount revised to EUR 2.081.855,00 - Time extension granted until 31.10.2021. - Financing of the Contract was provided by WBIF until the date of 31.03.2021, after this date the financing to be made by EIB loan funds.
03	26.11.2021	Contract amount revised to: EUR 2.780.635,00 and time extension until 15.05.2022.
04	30.06.2022	Contract amount revised to: EUR 3.479.765,00 and time extension until 17.12.2022.
05	02.02.2023	Contract amount revised to: EUR 4.179.475,00 and time extension until 31.08.2023.
06	06.10.2023	Contract amount revised to: EUR 4.879.450,00 and time extension until 25.04.2024.
07	03.05.2024	Contract amount revised to: EUR 5.579.350,00 and time extension until 15.11.2024.
08	06.12.2024	Contract amount revised to: EUR 6.279.335,00 and time extension until 15.05.2025.
09	20.06.2025	Contract amount revised to: EUR 6.658.445,00 and time extension until 30.09.2025.

On 12.11.2025, the PIU formally notified the Engineer, through its letter No. 9/602, that the Supervision Services Contract for Phase 1 would be terminated with effect from 11.12.2025, following the Employer's execution of a new Supervision Engineering Contract with the JV Eptisa–Ardanuy. The Engineer acknowledged this notification and undertook to coordinate the necessary contractual, administrative, and handover arrangements to ensure a smooth and orderly transition of services in accordance with the relevant contractual provisions.

3.2.2.2. Supervision Contract for Phase 2

The general information and progress of the Supervision Contract for Phase 2 is described in table below.

Table 32. Information about Phase 2 Supervision Contract

Contract Reference and Date	20140232-3 (28.09.2021)
Contractor	Hill International N.V. and DB Engineering and Consulting GmbH JV
Commencement Date	28.09.2021
Original Time for Completion	31 months (1+15 months+12 months DNP+3 months closeout phase)
Original Completion Date	28.04.2024
Extensions of Time	31+17 months
Actual Completion Date	30.09.2025
Original Contract Price	1.597.500,00 EUR
Revised Contract Price	3.531.490,00 EUR+41.000,00 EUR for DAB procedures

There have been 4 Addenda under the subject Supervision Service Contract as described and explained in table below, which have changed mainly the maximum contract amount and completion date.

Table 33. Phase 2 Supervision Service Contract Addenda

No.	Date	Subject
01	12.12.2023	Contract amount revised to: EUR 2.254.430,00 and time extension until 10.06.2024.
02	25.07.2024	Contract amount revised to: EUR 2.927.410,00 and time extension until 10.01.2025.
03	27.01.2025	- Contract amount revised to EUR 3.316.105,00 - Time extension granted until 15.05.2025. - A lumpsum amount of EUR 41.000,00 allocated for assistance to the Employer for DAB procedures under the Works Contract.
04	20.06.2025	Contract amount revised to: EUR 3.531.490,00 and time extension until 30.09.2025.

On 12.11.2025, the PIU formally notified the Engineer, through its letter No. 9/602, that the Supervision Services Contract for Phase 2 would be terminated with effect from 11.12.2025, following the Employer's execution of a new Supervision Engineering Contract with the JV Eptisa–Ardanuy. The Engineer acknowledged this notification and undertook to coordinate the necessary contractual, administrative, and handover arrangements to ensure a smooth and orderly transition of services in accordance with the relevant contractual provisions.

3.2.2.3. Supervision Contract for Phase1 and Phase 2

The Service Contract for the "Supervision services for Rehabilitation and Upgrade of Phase 1 and 2: Hani i Elezit - Fushe and Fushe Kosove - Mitrovice Kosove, 101.20 km" was signed between INFRAKOS JSC and the Consultant EPTISA Servicios de Ingenieria and ARDANUY Ingenieria SA JV on 11.11.2025. The Kick-off Meeting was held on 20th November 2025. On the same day, the first coordination meeting between the previous Engineer (Hill International) and the new Engineer (EPTISA and ARDANUY was organized and the Engineer role under the Works Contract Phase 1 and Phase 2 was transferred to EPTISA and ARDANUY JV. Starting from 24.11.2025, the Consultant/Engineer (EPTISA and ARFANUY) carried out site inspections to assess the existing conditions of the structures, track works, alignment, buildings, and the progress achieved on site under both works contracts. The following information is provided:

Table 34. Information about Phase 1 and Phase 2 Supervision Contract

Contract Reference and Date	20140232-08 (11.11.2025)
Contractor	EPTISA Servicios de Ingenieria and ARDANUY Ingenieria SA JV
Commencement Date	11.11.2025
Original Time for Completion	24 months (1 month inception+9 months implementation+12 months DNP+2 months closeout phase)
Original Completion Date	10.11.2027
Original Contract Price	1.291.625,00 EUR

4. Visibility and Communication

4.1. Project Visibility Assessment Based on Public Sources

The Railway Route 10 Project remains a strategically significant and internationally recognized infrastructure initiative, forming part of the Trans-European Transport Network (TEN-T) and supported by major international financiers such as the European Bank for Reconstruction and Development, European Investment Bank, and the European Union.

In 2025, the project continued to maintain institutional-level visibility, particularly through official communications, donor frameworks, and contractor-related announcements. However, its public visibility remained relatively limited, with few widely disseminated updates in mainstream media compared to its scale and importance. The following issues are highlighted:

- A notable milestone was achieved in August 2025, when a rehabilitated section between Fushë Kosovë and Ferizaj was reopened to traffic, initially with reduced operational speeds.
- This reopening demonstrated tangible progress and provided a visible outcome for stakeholders, contributing positively to the project's perception.
- The project continues to be framed as a key economic and regional connectivity corridor, reinforcing its importance within the Western Balkans transport network.

Despite above stated these positive developments, several factors have constrained the project's visibility and public perception in 2025:

- Certain sections of the railway, including international connections, remained non-operational or suspended due to ongoing works and delays.
- The prolonged construction timeline and incomplete sections have reduced the project's visibility as a "functioning infrastructure asset," limiting public engagement.
- Visibility is largely confined to technical, institutional, or contractor-level channels rather than broader public communication platforms.

From an overall perspective, the project's visibility in 2025 can be characterized as moderate but uneven. While it maintains strong recognition at institutional and donor levels, its public visibility and perception are constrained by delays, partial operability, and limited communication of progress. The reopening of certain sections provides a positive signal; however, the lack of continuous, structured communication and the absence of full operational functionality reduce the project's visibility impact. Strengthening communication strategies, highlighting interim achievements, and improving delivery performance would significantly enhance both public and stakeholder visibility moving forward.

The Fushë Kosovë–Ferizaj railway section is currently operational following its reopening in August 2025; however, its level of service remains limited and does not yet reflect full operational readiness. Train services are running at low frequency and under constrained operating conditions, including reduced speeds, indicating that the line is functioning in an interim state rather than at its intended performance capacity. While the reopening represents a positive milestone and demonstrates partial functionality of the rehabilitated infrastructure, the overall operational efficiency, reliability, and service levels remain below expected standards. This situation reflects the ongoing nature of rehabilitation works along the corridor and highlights the need for completion of remaining works, system optimization, and improved operational planning to achieve full functionality.

4.2. Visibility and Communication Related Activities

The following visibility and communication related activities can be highlighted:

- Project information billboards were installed at Fushë Kosovë and Ferizaj Stations for Phase 1, and in Fushë Kosovë, Obiliq, Prelluzhë, Vushtrri, and Mitrovicë Stations for Phase 2.
- The ceremony of Inauguration for the beginning with works of the second phase for the rehabilitation of railway line 10 Fushë Kosovë – Mitrovica was held on 19.12.2022.
- On 05.11.2023 there has been an inauguration ceremony for the two tunnels: Tunnel 6 (262 m) and Tunnel 7 (122 m) with the participation of Kosovo's Prime Minister, key government officials as well as representatives of the European Union Office in Kosovo and the Italian Ambassador in Kosovo[7].

The following photos illustrate the project information billboards at some sites.

Figure 8 Examples of Project sign boards of some sites

[7] Published news at Transport Community website (07.11.2023): Kosovo Inaugurates Two Tunnels within Line 10 Rehabilitation Project, found at: https://www.transport-community.org/news/kosovo-inaugurates-two-tunnels-within-line-10-railway-rehabilitation-project/

5. Monitoring Activities

5.1. Site Visits and Project Audits

The following monitoring activities were recorded during the 2025 annual period:

- On 9 April 2025, a representative of the European Investment Bank, Mr. Piers Vicker, conducted a site visit to the Project, during which he was briefed on the current progress and key outstanding issues. These included the absence of a defined Time for Completion, low financial absorption, quality concerns particularly the “concrete fraud case” and the overall underperformance of the Contractor.
- Subsequently, the European Court of Auditors (ECA), represented by Mrs. Aurelia Petliza and Mr. Alfonso Calles Sanchez, carried out an audit mission to Kosovo from 28 to 30 April 2025 in relation to the WBIF-funded “Rehabilitation of Railway Route 10” Project. During this mission, the auditors were similarly informed of the Project’s progress and the main challenges, including the undefined Time for Completion, low financial absorption, quality issues, the concrete fraud case, and the Contractor’s low performance.
- The National Audit Office of Kosovo conducted a performance audit titled “Efficiency in the Implementation of the Rehabilitation of Railway Line 10: Hani i Elezit – Leshak.” The objective of the audit was to evaluate whether INFRAKOS, together with the Ministry of Environment, Spatial Planning and Infrastructure and the Ministry of Economy, managed the project efficiently. The resulting audit report published in March 2025 is publicly available online[8].

5.2. Environmental and Social Management Monitoring

According to the Engineer’s assessments for both Phase 1 and Phase 2 Works Contracts, the implementation of Environmental and Social Management Plans remains only partial, and site personnel continue to demonstrate limited awareness of environmental, health, and safety obligations. The Contractor is required to consistently apply approved procedures and adapt them to address deficiencies identified during site inspections. Updated Method Statements and Risk Assessments must be submitted, reviewed, and approved prior to the commencement of any activity. Safety measures particularly for scaffolding, excavation works, and open-site operations must be continuously maintained without exception. The inspection team remains focused on ensuring compliance with Kosovo’s legal framework and the EBRD Environmental, Health, Safety, and Social (EHSS) Performance Requirements.

Comprehensive inspections conducted along the Fushë Kosovë–Mitrovicë railway corridor in November 2025, including both active and inactive construction areas, identified ongoing non-compliance. Persistent environmental and safety deficiencies were observed despite previous written and verbal instructions. These included unmanaged construction waste at Fushë Kosovë Station and the Technical Building, poor housekeeping, and dust accumulation in enclosed workspaces. Flooded excavations at Wall 11R and Culvert 62 highlighted inadequate drainage and the absence of protective barriers, posing risks of contamination and erosion. While minor improvements were noted in localized waste removal, overall conditions remain unsatisfactory.

Health and safety concerns continue to be critical. At Mitrovica Station, scaffolding remains unsafe, lacking guardrails and fall protection systems, while unprotected excavations at Cross Section 195 and Underpass 19 present significant collapse hazards. The absence of proper signage at Level Crossing 31 exposes road users to operational risks. Furthermore, instances of workers operating without appropriate personal protective equipment (PPE) were recorded during concreting, excavation, and reinforcement works.

By the end of the reporting period, these issues reflect systemic and recurring non-compliance. Without the application of strict enforcement measures including penalties, suspension of works, and immediate corrective actions the risks to workers, surrounding communities, and the environment are likely to persist and potentially escalate.

[8] Performance Audit Report Efficiency in the Implementation of the “Rehabilitation of Railway Line 10: Hani i Elezit-Leshak Project (found at: https://zka-rks.org/cms/ReportFiles/2025_c77b9604-d771-4db0-a601-4db27c919ddd.pdf)

Annex 1 Photos

Phase 1 (Fushë Kosovë-Hani i Elezit) Works




Ongoing construction for tunnels and railway track works

Phase 2 (Mitrovicë -Fushë Kosovë) Works



Ongoing track works near Kastriot

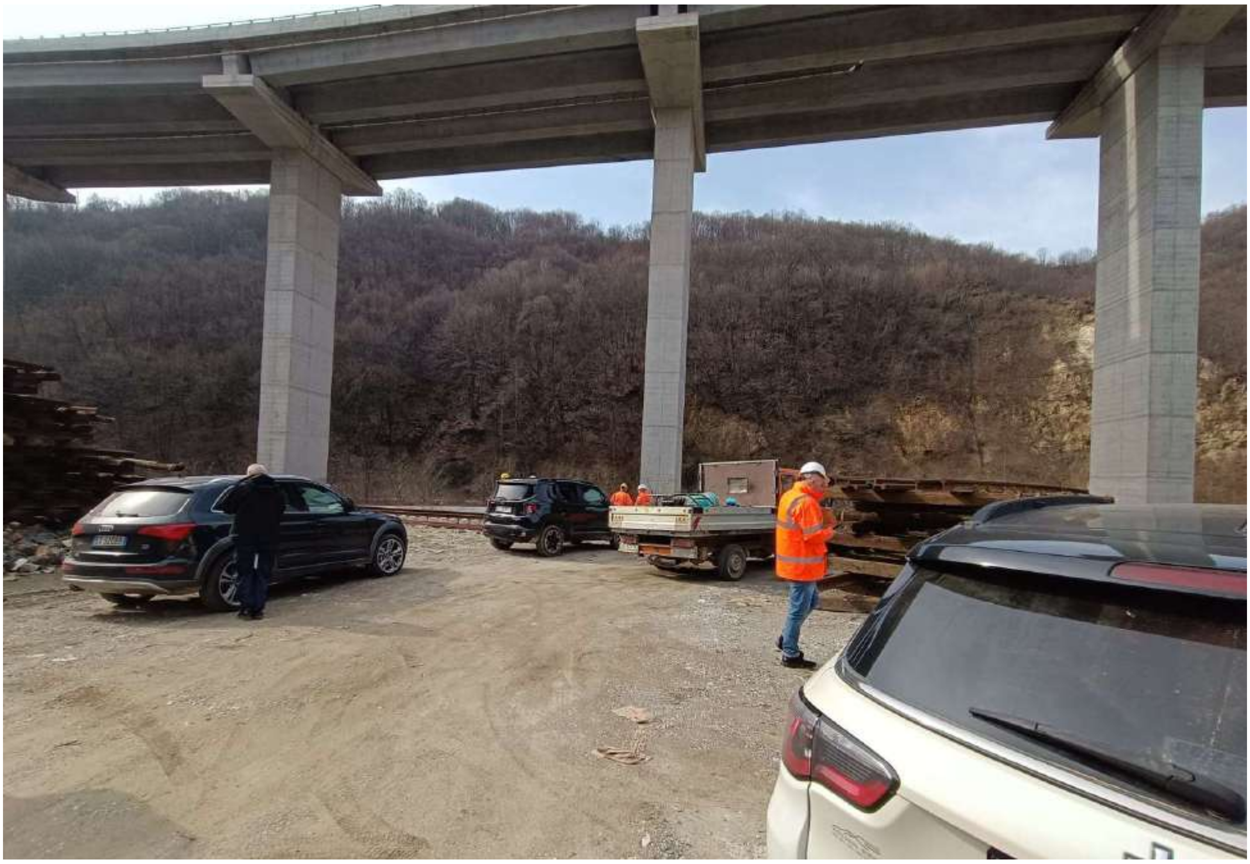
Ongoing R/C works near Mitrovicë and Prelluzhë

DAB Site Visit for Phase 1 Works on 03-04 Feb 2026



Visit of the tunnels under construction for Phase 1 Works

Visit of the bridges for Phase 1 Works



DAB (Mr. Paul Taggart) site visit for Phase 1 works took place on 03 and 04 February 2026, the following activities have been undertaken:

- Visits are paid to several locations on Phase 1 line from Fushë Kosovë to Hani i Elezit. The current progress of works for the track works, tunnels, and bridges have been observed.
- Parties presented the Project update and presentations are made by representatives of the Employer (Engineer) and the Contractor.
- DAB requested the Contractor to explain with reference to the programme progress to date on the Works by element of the Works (Time Now Line), Earnings to date (%) versus Baseline, time for completion (any EOTS's), planning for the next 6 months

DAB Site Visit for Phase 2 Works on 16-19 Mar 2026

Visit of the station and bridge near Mitrovicë for Phase 2 Works

DAB (Mr. Emmanuel Sauvaget) site visit for Phase 2 works took place on 16 and 19 March 2026, the following activities have been undertaken:

- Visits are paid to several locations on Phase 2 line from Mitrovicë to Fushë Kosovë.
- The current progress of works for the track works, tunnels, and bridges have been observed. Fushë Kosovë Station Building, Bridge No. 1, Mitrovicë Station, slopes protections in Mitrovicë (PK 216+200/215+200), Bridge No. 5, Prelluzhe Station, Underpass 21, Obiliq Station, Culvert C 55, Overpass No. 5 and Bridge 17 were visited.
- Parties presented the Project update and presentations are made by representatives of the Employer (Engineer) and the Contractor.

Visit of the trackworks overpass and culvert near Kastriot for Phase 2 Works

Fushë Kosovë Station Building

Ongoing finishing and retrofit works of Fushë Kosovë station for both interior arrangements and finishings and external façade and roofing (photos taken during the DAB site visit on 17.03.2026).

Construction and rehabilitation activities at Fushë Kosovë Station, including the station building, technical building, and track works, have continued to progress. Track rehabilitation works within the station area have been completed; however, platform rehabilitation works have not yet commenced. Works on the station building accelerated notably during the final months of 2025, on the other hand, the overall progress remained insufficient.

- Architectural works have advanced with the continued installation of drywall on the steel support structure on the first floor, particularly within the restaurant area. These works have contributed to the closure of internal partitions and the preparation of surfaces for final finishing stages.
- On the restaurant terrace, the Contractor has undertaken preparatory works for waterproofing, including surface levelling and treatment, followed by the installation of PVC membrane.
- Electrical cabling has been laid and secured along the terrace area, indicating partial progress in the coordination of external building services.
- Within the auditorium, key activities included the construction of a new brick wall, ceiling preparation works, and installation of the suspended ceiling system. These works support the transition toward final architectural finishing; however, progress has remained somewhat fragmented, reflecting limited and irregular workforce deployment.
- Additional finishing activities include the levelling of parapet structures in the restaurant area, improving readiness for subsequent finishing works and overall preparation for handover stages.

Meeting for Phase 3 (Mitrovicë – Leshak) Design Studies

Phase 3 of the Railway Route 10 Rehabilitation Project covers the 48.119 km railway section between Mitrovicë and the border with Serbia (near Leshak Station), forming the northern part of Kosovo's principal north-south railway corridor. The section represents the final phase of the comprehensive rehabilitation programme for Route 10 and is intended to complete the modernization of the corridor in accordance with TEN-T interoperability and safety standards. The envisaged scope includes the rehabilitation of the existing railway infrastructure, including track, stations, bridges, culverts, drainage and other civil engineering structures, together with the renewal of railway systems required for safe and efficient operation. Upon completion, the Project is expected to improve railway safety, increase line capacity and operating speeds, reduce travel times, and strengthen regional connectivity with neighbouring railway networks.

Preparatory activities for Phase 3 have been progressing under a WBIF-funded Technical Assistance project implemented under the lead of the EBRD. The feasibility study, preliminary design and environmental impact assessment (EIA) have been completed, while the Technical Assistance assignment has focused on the preparation of the detailed design and tender documentation required for the future procurement of the rehabilitation works. The design studies provide the technical basis for implementation by defining the engineering solutions, technical specifications, cost estimates, procurement packages and tender documents necessary for launching the construction phase. According to the latest available project information, these design and tender preparation activities remain under implementation and are intended to facilitate the future financing and procurement of the Phase 3 civil works.

As of the reporting period, Phase 3 civil works have not yet been procured, and the implementation schedule remains dependent on the completion of the ongoing design activities, the finalization of the procurement documentation, and the mobilization of the required financing. Consequently, Phase 3 remains one of the principal outstanding components of the overall Railway Route 10 Rehabilitation Project, with its timely implementation being essential for achieving full corridor continuity and realizing the intended operational and economic benefits of the investment.