



KOSOVO RAILWAY ROUTE 10 REHABILITATION PROJECT

PERIODIC PROJECT REPORT

CUT-OFF DATE OF THE REPORT: 31 DECEMBER 2022



PRESENTED BY:



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:	Nexhmi Rama 
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:	
[Mr. Nexhmi Rama – Acting Head of PIU]	
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Reporting Period: Q4 2022	

Send to

Name	Organisation	Comments
	EBRD	
	EIB	
	MoF	
	MIT	
	CEO, Infrakos	
	NIPAC	

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TABLE OF ABBREVIATIONS

BoQ	Bill of Quantities
CA	Contracting Authority
CEO	Chief Executive Officer of INFRAKOS
CFO	Chief Financial Officer of INFRAKOS
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIA	Environmental impact assessment
EIB	European Investment Bank
EU	European Union
GAF	Grant Application Form
IAS	International Accounting Standards
IFI	International Financial Institutions
InfraKos	Kosovo Railways Infrastructure Company (Employer and Project Final Beneficiary)
Lead IFI	European Bank for Reconstruction and Development
MoE	Ministry of Environment and Spatial Planning
MoF	Ministry of Finance of Kosovo
Mol	Ministry of Infrastructure of Kosovo
M&E	Monitoring and evaluation
NIPAC	National IPA Coordinator
PIE	Project Implementing Entity, InfraKos
PIU	Project Implementation Unit
PoW	Program of Works
PR	PIU Regulation
TA	Technical Assistance
UNDP	United Nations Development Program
VC	Videoconference
VO	Variation order
WBIF	Western Balkan Investment Framework

0 - DOCUMENT INFORMATION

This report is prepared in compliance with the periodic project reporting requirements set forth within the Project Agreement, dated 23 September 2015, the Grant Agreement for Operation No. 45276, dated 4 December 2018, between the Republic of Kosovo (MF) and EBRD and the associated loan agreements with EBRD and EIB 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.

These requirements are summarised underneath with indicated reference to the report section and/or Annex where the respective information can be found. Any recommendations and further requirements to suit the needs of the users of the report will readily be accommodated.

EBRD quarterly periodic reports requirements as per Section 2.07 (b) of the Project Agreement dated 23/09/15

Description	Reference within the report
(1) General project information	<u>Section 1</u>
(A) the physical progress accomplished in the implementation of the Project to the date of report and during the reporting period;	<u>Annex#5</u>
(B) actual or expected difficulties or delays in the implementation of the Project and their effect on the implementation schedule, and the actual steps taken or planned to overcome the difficulties and avoid delays;	<u>Section 2</u>
(C) expected changes in the completion date of the Project;	<u>Annex#5</u>
(D) key personnel changes in the staff of the Project Entity, the PIU, the consultants or the contractors;	<u>Section 5</u>
(E) matters that may affect the cost of the Project; and	<u>Section 6</u>
(F) any development or activity likely to affect the economic viability of any Part of the Project.	<u>Section 2.5</u>
(2) A bar-type progress chart showing the progress in each Part of the Project and including a planned and actual expenditure graph.	<u>Annex#4a and 4b</u>
(3) Financial statements showing details of the expenditures incurred under each Part of the Project and the Drawdowns, together with a statement showing: (A) original cost estimates; (B) revised cost estimates, if any, with reasons for changes; (C) original estimated expenditures and actual expenditures to date; (D) reasons for variations of actual expenditures to date from original estimated expenditures to date; and (E) estimated expenditures for the remaining quarters of the year.	<u>Annex#3, Annex#3a and Annex#5</u>
(4) A brief statement of the status of compliance with each of the covenants contained in this Agreement.	<u>Annex#6</u>

EIB six-monthly project progress reports requirements as per Schedule A, item 3 of the Finance contract, dated 8 December 2015:

Description	Reference within the report
A brief update on the technical description, explaining the reasons for significant changes vs. initial scope;	<u>Section 2</u>
Update on the date of completion of each of the main project's components, explaining reasons for any possible delay;	<u>Annex#2</u>
Update on the cost of the project, explaining reasons for any possible cost increases vs. initial budgeted cost;	<u>Annex#5</u>

Description	Reference within the report
A description of any major issue with impact on the environment;	<u>Section 9</u>
Update on procurement procedures;	<u>Annex#1</u>
Update on the project's demand or usage and comments;	<u>Annex#3</u>
Non-confidential project-related pictures, if available.	<u>Section 8</u>

Grant Agreement for Operation No. 45276, dated 4 December 2018

Description	Reference within the report
Section 5.15 Section 3.07 Project Records and Reports; Examinations	
(a) The Sovereign shall procure that the Project Entity ensures that information furnished to the Bank by the Project Entity, and records maintained by the Project Entity, in compliance with the Project Entity's obligations pursuant to Section 2.07 (Reporting Frequency and Submission Requirements) of the Project Agreement as well as Section 4.04 (Project Records and Reports) and Section 5.02 (Reporting) of the Standard Terms and Conditions:	The form of the reported content is subject to further improvements as from time to time might be required.
(1) includes detailed information concerning the Contracts, the Contractors, Disbursements, the Grant Financing and its use, the Grant Financed Items, as well as the status of compliance with each of the covenants contained in this Agreement in form and substance satisfactory to the Bank;	<u>Annex#2, Annex#6</u>
(2) contains sufficient information to enable tracking of the Grant Financing distinct from the Loan Financing; and	<u>Annex#3, Annex#3a</u>
(3) includes such other information regarding inter alia the Project Entity, the Project and the transactions contemplated in this Agreement as the Bank may from time-to-time reasonably request.	ongoing

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.

Disclaimer: This document has been produced with the financial assistance of the European Western Balkans Joint Fund' under the Western Balkans Investment Framework. The views expressed herein are of its author and can therefore in no way be taken to reflect the official opinion of the Contributors to the European Western Balkans Joint Fund or the EBRD or the EIB, as co-managers of the European Western Balkans Joint Fund.

1 - PROJECT OVERVIEW

The overall project consists of the urgent rehabilitation and upgrading of the Rail Route 10 (Kosovo-Serbia border to Kosovo-North Macedonia border) in Kosovo (the "Project"). Rail Route 10 covers in Kosovo a railway line in total length of 252 km with general orientation Kraljevo (Serbia)-Pristine (Kosovo)-Gorice Petrov (North Macedonia). The railway line is crossing Kosovo at a length of 148 km starting from Leshak at the Serbian border end ending at Hani i Elezit, border with North Macedonia.

The Kosovo rail route 10 project is part of the Western Balkans core railway network, an extension of the Trans-European Transport Networks, which is part of the EU's wider efforts to promote transport connectivity in the Western Balkans.

The Government of Kosovo has engaged in a wide-ranging rail reform programme to bring the sector into compliance with EU directives. A comprehensive railway sector reform and reorganisation was initiated at the end of 2005. The public railway company was converted into a joint stock company (Kosovo Railways JSC) and operated as an integrated railway until 2011. In 2011, the company was split into an infrastructure company (the "Client" or the "Company" or "INFRAKOS") and a train operating company ("TRAINKOS") and these have been operating as separate companies since August 2011.

The procurement and implementation of all project components is carried out by the Project Implementation Unit established by INFRAKOS, the Project implementing entity.

The proposed project consists of the rehabilitation and partial upgrade of Kosovo's north-south railway line, with total length 148km, from the border with Serbia in the North of Kosovo to the border with North Macedonia in the south of Kosovo. The investment programme is divided into three phases:

- Phase 1: Fushë Kosovë – North Macedonia border (Hani i Elezit station), 64 km;
- Phase 2: Fushë Kosovë - Mitrovicë, 34.4 km; and
- Phase 3: Mitrovicë – Serbian border (Leshak station), 42 km

As per the Project Procurement Plan Signalling and Telecommunication Works are foreseen to be awarded in two separate contracts – one to cover Phase 1 & Phase 2 and a second one – for Phase 3.



Figure 1 – Project phasing

The works and service contracts that form part of the overall project are presented in the attached Procurement Plan (see Annex #1).

Each Phase consists in works contracts and two separate consultancy assignments for detail design and works supervision.

The overall project status and progress achieved as of the cutting date of this report is presented in the sections below.

The financing of the overall project has been secured with identified constantly rising shortfall due to the unforeseeable circumstances (the effects of Covid-19 and war in Ukraine on construction costs). Additional funds will also be needed to cover adjustments for changes in costs beyond the available Provisional Sum for Phase 1 and potentially Phase 2 if the Construction Costs Index, published by the Kosovo Institute of Statistics continues to go upward.

The components that form part of the project are presented in attached updated Project Procurement Plan (see Annex#1). The contracted activities under the GAF Contribution Request Nos. WB-IG00-KOS-TRA-01, WB-IG01-KOS-TRA-01, WB-IG04-KOS-TRA-02 and WB15-KOS-TRA-01 and respective use of funds are presented in Annex#2.

2 - PROJECT STATUS

2.1 - Project Actions in Implementation Stage

2.1.1 - Phase 1, Fushë Kosovë- Border with North Macedonia Railway Section

Contribution Request Number (same as project number/code in GAF):	WB-IG00-KOS-TRA-01
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THE PROJECT											
Title of the overall Project: (Projects approved at a Steering Committee may result in one or more Actions)	Orient/East-Med Corridor: General Rehabilitation of Route 10 Phase 1, Fushë Kosovë- Border with North Macedonia Railway Section										
Beneficiary Country(ies):	Kosovo										
Responsible Authority(ies):	Kosovo Ministry of Infrastructure										
Implementing entity(ies)	Infrastructure of Kosovo Railways JSC - INFRAKOS										
Sector (please use the same sector name as used in the grant application form) :	Transport - Rail infrastructure										
Sub-Sector/ DAC code (please use the same DAC code and name as used in the grant application form):	Not available										
Total Grant Amount Approved for the Project: (as approved at a Steering Committee)	38,500,000.00 Eur										
Date of Project Approval: (Steering Committee Date)	December 2015										
Sources of Funding for the Project: (listing all funding sources as featured in the GAF)	<table> <tr> <th>Source</th><th>Amount (EUR)</th></tr> <tr> <td>European Investment Bank</td><td>21,300,000.00</td></tr> <tr> <td>European Bank for Reconstruction and Development</td><td>19,200,000.00</td></tr> <tr> <td>WBIF Grant</td><td>38,500,000.00</td></tr> <tr> <td>Total</td><td>79,000,000.00</td></tr> </table>	Source	Amount (EUR)	European Investment Bank	21,300,000.00	European Bank for Reconstruction and Development	19,200,000.00	WBIF Grant	38,500,000.00	Total	79,000,000.00
Source	Amount (EUR)										
European Investment Bank	21,300,000.00										
European Bank for Reconstruction and Development	19,200,000.00										
WBIF Grant	38,500,000.00										
Total	79,000,000.00										

Related contracts under this Project:

(list of contracts, values and confirmed funding sources)

Refer to Annex #1 and Annex#2

Phase 2 Works Contract was signed on 8 December 2021. The Commencement notice, following the Advance Payment, was declined by the Contractor as being without effect. Following negotiations, it was agreed and signed on 19.12.2022 Addendum No. 1 to the Contract of pending signature status, agreeing Commencement Date to be 10 October 2022.

The Signalling and Telecom for Phase 1 and Phase 2 is at advanced tender preparation stage.
Phase 3 is in a preparation stage.

This ACTION under the EWBIF (financed by the GRANT)	
Title of this ACTION: (same as 'Title of the overall Project' + indication of type of Action, e.g. 'investment grant component' and/or 'technical assistance component')	General Rehabilitation of the Railway Route 10: Phase 1, Fushë Kosovë- Border with North Macedonia Railway Section – Investment grant component
Lead IFI:	EBRD
Value of the Grant: (as approved by the Assembly of Contributors)	€38,5 m
Total amount of Grant/Financing Agreement (between Lead IFI and beneficiary) Signed: Disbursed (cumulative):	Signed: € 79 m (€ 38,5m Grant and € 40,5m Loan) - Disbursed: € 42,061,320.32 Grant (€17,775,812.60) Loan € 24,285,507.72 (11,878,115.79 EBRD Loan and 12,407,391.93 EIB Loan)
Total amount of contracts under the Grant/Financing Agreement (between beneficiary and final contractors) 1) aggregate amount of contracts signed (cumulative): 2) aggregate amount of contracts disbursed (cumulative): 3) aggregate amount of cost incurred (cumulative):	- Contracts signed: € 78,625,639.40 - Contracts disbursed: € 42,061,320.32 - Costs incurred: € 42,061,320.32
Amount to be returned to the EWBIF: (if applicable)	N/A
Completion Date of the Action: (actual/expected)	According to the GAF, Section 32, the actual Completion Date of the Action is 2019. The Original Completion Date after Contract signature was expiring in Q3 2021. As per Addendum 3 dated 08th of December 2021 the Completion date was extended to 30 December 2022 to cover time needed for implementing necessitated Variation orders. Current status - financial progress achieved 53,50% vs. time elapsed 100.1% vs. physical progress achieved – around 72.3% after 38 months of construction, excluding COVID 19 suspension of 2 months. Time for completion suspended by end of January. Ongoing negotiations for the EoT that are expected to become subject of Addendum 4.

PROJECT PROGRESS

A. Narrative Section (as the template applies to both TA and INV activities, reporting institutions should adjust the content of their reporting to the nature of the activity. Further guidance is given below when applicable).

1. Project description and Action description: (max 300 words)	Short description of the Project This project concerns the rehabilitation and upgrade of the Railway Route 10 in Kosovo (Fushë Kosovë – border with North Macedonia rail section) and associated railway stations to modern TEN-T standards. The section is part of the Orient/East-Med Corridor which crosses Kosovo from the north to the south on Route 10, from the border with North Macedonia to the one with Serbia, and constitutes Kosovo's connection to the wider region by rail. The general rehabilitation and modernization includes a 148km-long single track, standard gauge (1435 mm) non-electrified rail line in central Kosovo. The rehabilitation will allow operation up to 120 km/hr on most sections of the line along with 22.5 ton axle load in line with EU standards and will achieve an interoperable railway infrastructure based on EU standards through which will support safe railway transport, and railway market opening for domestic, regional and international train operators. Short description of the Action Phase 1: Fushë Kosovë– border with North Macedonia includes: - the rehabilitation and upgrade Works of the existing single railway line of the Railway Route 10 between Fushë Kosovë and Hani i Elezit of circa 67 km - the refurbishment of 8 existing railway stations and 5 existing stops - replacement of 36 level crossing - Rehabilitation of 34 existing bridges out of which 6 structures shall be repaired by minor interventions, 14 bridges shall be replaced with new structures, and 14 bridges shall be strengthened and retrofitted. - Widening of 7 existing tunnels at the southern part of the line, between the Station GURËZ and the Station HANI I ELEZIT of total length of 983.58 m, out of which tunnel 4 shall be reconstructed only at the portals, whilst tunnel No. 5 shall be reconstructed by cut & cover methodology.
2. Project Context: (max 250 words)	The main objective of general rehabilitation and modernization for Phase 1 is that Kosovo will achieve to have interoperable railway infrastructure based on EU standards through which will support safe railway transport, and railway market opening for domestic, regional and international train operators. Railway Route 10 is part of the SEETO Core Network, which based on EU strategic documents should be integrated in the Trans European Transport Network (TEN-T). This line is as an alternative line of Pan-European Corridor X, connecting Lapovo (Serbia) – Fushë Kosovë (Kosovo) – Skopje (FYROM). It has an obvious strategic dimension from a regional aspect, for development of the railway transport. The importance of this project is that the project is part of the: • Part III of the Indicative Strategy Paper for Kosovo (2016/2021) • SEETO Strategic Documents (MAPs) • Joint statement WB 6 ministerial held in Pristina in March 2015 • Development Multi Modal Strategy for Kosovo (2015 – 2025) • EBRD and EIB Investment plan

3. <u>Activities carried out during the reporting period under the Action:</u> (max 250 words)	The activities sofar implemented for the Action are presented below: • The execution of works for Phase 1 has commenced since August 2019. Current progress achieved – 57.512 km of main and secondary track rails are installed out of 79.57 km (72.3%). • Supervision Services Contract for Phase 1 was signed on 29.01.2019 and its latest Amendment (Addendum 4) is covering supervision services by December 2022. The project status necessitates further extension of the services. For the status of planned activities under the overall project, See Annex#1 Updated Project Procurement Plan.								
4. <u>Actual results:</u> (max 250 words plus table if relevant)	Rehabilitated Phase 1 rail route 10 <table><tr><th>Physical progress indicators</th><th>Total length</th><th>Completed</th><th>Progress % achieved</th></tr><tr><td>Primary and secondary rail track</td><td>79,574 km</td><td>57,521</td><td>72,3</td></tr></table>	Physical progress indicators	Total length	Completed	Progress % achieved	Primary and secondary rail track	79,574 km	57,521	72,3
Physical progress indicators	Total length	Completed	Progress % achieved						
Primary and secondary rail track	79,574 km	57,521	72,3						
5. <u>Risk assessment:</u> (max 250 words)	At this stage of the project implementation the risk assessment, proposed mitigations and risk severity remains materially as stated in the GAF, adding to it: 1) the adverse international circumstances (supply chain disruption due to COVID-19 and ongoing armed conflict between Russia and Ukraine), leading to excessive price increases and shortages, rationing and/or lack of construction materials. These are beyond the control of the parties. 2) Serious Delays in Works, mainly in Tunnels and Bridges’ Retrofitting but also ancillary works which compromised the Completion date and are managed in accordance with the Contract provisions. Identified higher rate of construction costs index increase, starting from Q1 of 2021, which for Q3 of 2022 based on data from the Kosovo Agency of Statistics reached 37,79% in relation to Base Date with considerable impact on the expenditures for adjustment for changes in costs under the Works contract. The amount of the Adjustments to costs paid currently amount to 8% of the Contract Price and exceed the available Provisional sum for contingency. Considering the remaining Provisional sum amount after the Addendum 3 to the Works Contract, it becomes obvious that additional funds will be needed beyond the foreseen contingency money. A rough estimation of such additional cost beyond the Accepted Contract Amount as a result of the contractually foreseen price adjustment for changes in costs if the Construction Cost Index (CCI), as published by the Kosovo Agency of Statistics maintains without further considerable change at this time reached between 12.6 to 18.5 M€. The Project Beneficiary in a timely manner is consulting and seeking guidance from the MoF and IFI’s in order to resolve the funding problem, related to the unforeseen exceptional rate of price escalation in construction costs.								

6. <u>Visibility and communication activities:</u> (max 100 words)	INFRAKOS as a beneficiary of the grant until now has implemented all activities foreseen for the development of the project by having direct communication with all parties involved in this project, including: • EBRD and EIB • IFICO as an institution engaged for drafting of TOR • Hill IPF 9 Consortium responsible for drafting of the Project Design. • Ministry of Finance as promoter of the project; and • All other interested parties Project information billboard for Phase I has been installed at Fushë Kosovë Station in front of Station and Ferizaj Station. No publicity events took place during the reporting period.
7. <u>Monitoring activities:</u> (max 150 words)	Monitoring performed Regular monitoring meetings have been conducted between PIU and EBRD and EIB via video conference. Further Monitoring Activities The Beneficiary delivers project periodic reports to the IFI's on a three-monthly basis in form and content as prescribed in the legal agreements. Also, the Engineer's Monthly Progress Reports are being sent to the IFI's, allowing monitoring of the progress Phase I Works contract status on a monthly basis.

2.1.2 - Orient/East-Med Corridor: General Rehabilitation of Route 10 Phase 2, Fushë Kosovë-Mitrovicë Railway Section

Contribution Request Number (same as project number/code in GAF):	WB-IG01-KOS-TRA-01
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THE PROJECT																					
Title of the overall Project: (Projects approved at a Steering Committee may result in one or more Actions)	General Rehabilitation of the Railway Route 10 (Border with Serbia- Leshak- Mitrovica- Fushe Kosove- Hani I Elezit - Border with former Yugoslav Republic of Macedonia), phase 2: Fushe Kosove- Mitrovica, 35 km																				
Beneficiary Country(ies):	Kosovo																				
Responsible Authority(ies):	Ministry of Finance																				
Implementing entity(ies)	Infrastructure of Kosovo Railways JSC - INFRAKOS																				
Sector (please use the same sector name as used in the grant application form) :	Transport - Rail infrastructure																				
Sub-Sector/ DAC code (please use the same DAC code and name as used in the grant application form):	Not available																				
Total Grant Amount Approved for the Project: (as approved at a Steering Committee)	17,200,000.00 Eur																				
Date of Project Approval: (Steering Committee Date)	December 2016																				
Sources of Funding for the Project: (listing all funding sources as featured in the GAF)	<table> <tr> <th>Source</th><th>Amount (EUR)</th></tr> <tr> <td>European Investment Bank</td><td>9,200,000.00</td></tr> <tr> <td>European Bank for Reconstruction and Development</td><td>8,600,000.00</td></tr> <tr> <td>EBRD TA Grant</td><td>500,000.00</td></tr> <tr> <td>WBIF TA Grant</td><td>1,000,000.00</td></tr> <tr> <td>WBIF Grant</td><td>17,240,000.00</td></tr> <tr> <td>• WBIF INV Grant</td><td>17,200,000.00</td></tr> <tr> <td>• WBIF TA Grant</td><td>40,000.00</td></tr> <tr> <td>Kosovo Government</td><td>5,840,000.00</td></tr> <tr> <td>Total</td><td>42,380,000.00</td></tr> </table>	Source	Amount (EUR)	European Investment Bank	9,200,000.00	European Bank for Reconstruction and Development	8,600,000.00	EBRD TA Grant	500,000.00	WBIF TA Grant	1,000,000.00	WBIF Grant	17,240,000.00	• WBIF INV Grant	17,200,000.00	• WBIF TA Grant	40,000.00	Kosovo Government	5,840,000.00	Total	42,380,000.00
Source	Amount (EUR)																				
European Investment Bank	9,200,000.00																				
European Bank for Reconstruction and Development	8,600,000.00																				
EBRD TA Grant	500,000.00																				
WBIF TA Grant	1,000,000.00																				
WBIF Grant	17,240,000.00																				
• WBIF INV Grant	17,200,000.00																				
• WBIF TA Grant	40,000.00																				
Kosovo Government	5,840,000.00																				
Total	42,380,000.00																				

Related contracts under this Project: (list of contracts, values and confirmed funding sources)	Refer to Annex #1 and Annex#2
This ACTION under the EWBIF (financed by the GRANT)	
Title of this ACTION: (same as 'Title of the overall Project' + indication of type of Action, e.g. 'Investment grant component' and/or 'technical assistance component')	General Rehabilitation of the Railway Route 10: Phase 1, Fushë Kosovë- Border with North Macedonia Railway Section – Investment grant component
Lead IFI:	EBRD
Value of the Grant: (as approved by the Assembly of Contributors)	€17,2 m
Total amount of Grant/Financing Agreement (between Lead IFI and beneficiary) Signed: Disbursed (cumulative):	Signed: € 43,33 m (€ 17,2m Grant and € 26,13m Loan) Disbursed: € 4,792,751.00 Grant (€ 17,200,000.00) Loan € 26,134,235.00 (8,514,000.00 EBRD Loan and 17,620,235.00 EIB Loan)
Total amount of contracts under the Grant/Financing Agreement (between beneficiary and final contractors) 1) aggregate amount of contracts signed (cumulative): 2) aggregate amount of contracts disbursed (cumulative): 3) aggregate amount of cost incurred (cumulative):	- Contracts signed: € 47,927,505.32 - Contracts disbursed: € 4,792,751.00 - Costs incurred: € 4,792,751.00
Amount to be returned to the EWBIF: (if applicable)	N/A
Completion Date of the Action: (actual/expected)	According to the GAF, Section 32, the actual Completion Date of the Action is 2019. The Contract Commencement date is 10 October 2022 with Completion date 8 January 2024.

PROJECT PROGRESS

A. Narrative Section (as the template applies to both JA and INV activities, reporting institutions should adjust the content of their reporting to the nature of the activity. Further guidance is given below when applicable).

8. Project description and Action descriptions (max 300 words)

Short description of the Project

Railway Route 10 in Kosovo is 148 km long extending from the border with Serbia in the north of Kosovo (near Leshak station) to the border with FYR Macedonia (Hani i Elezit station). Rail Route 10 branches from Corridor X in Lapovo (Serbia) and forms an alternative route to Skopje: Belgrade - Lapovo- Kraljevo - Fushe Kosove - Skopje.

The overall project will be implemented in three phases and consists of the rehabilitation and upgrading of the following sections: section Fushe Kosove - FYR Macedonia border (Phase 1); section Fushe Kosove – Mitrovice (Phase 2); and Mitrovice - Serbian border (Phase 3). This railway line is the only operational railway link connecting Kosovo's domestic network to the international network. The project is part of SEETO's Comprehensive Network and will support Kosovo's integration to the regional and European markets. WBIF investment grant is requested for implementation of Phase 2 of the project (Fushe Kosove- Mitrovice) 35 km.

The Project has a strong regional dimension, supporting as it does the rehabilitation of the only rail link between the Kosovo-Serbia and Kosovo-FYR Macedonia borders. The upgrade and rehabilitation of Railway Route 10 will increase regional connectivity and facilitate both import/export and passenger traffic across this region. This project also contributes to regional cohesion and will assist in the development of seamless connections for passengers and freight in the Western Balkans. This is the main direct railway connection between Serbia, Kosovo and FYR Macedonia.

Short description of the Action

Phase 2: Fushe Kosove – Mitrovice includes:

- The rehabilitation of main single line of the Rail Route 10 line, around 34,4 km long.
- Replacement of 23 Level Crossings
- Renovation of 6 stations
- Replacement of 5 stops
- 16 Platforms (New and rehabilitation of existing in Fushe Kosove)
- 17 Railway Bridges (New and rehabilitation of existing)
- 1 Road Bridge
- 40 box culverts & 23 Pipe culverts
- 4 Pedestrian underpasses
- The rehabilitation of 12 buildings 4 (façades rehabilitation only)
- 36 new Canopies and 12 (rehabilitation at Fushe Kosove)
- Fencing 26.5 km approximately

9. Project Context: (max 250 words)	The main objective of general rehabilitation and modernization for Phase 2 is that Kosovo will achieve to have interoperable railway infrastructure based on EU standards through which will support safe railway transport, and railway market opening for domestic, regional and international train operators. Railway Route 10 is part of the SEETO Core Network, which based on EU strategic documents should be integrated in the Trans European Transport Network.(TEN-T). This line is as an alternative line of Pan-European Corridor X, connecting Lapovo (Serbia) – Fushë Kosovë (Kosovo) – Skopje (FYROM). It has an obvious strategic dimension from a regional aspect, for development of the railway transport. The importance of this project is that the project is part of the: • Part III of the Indicative Strategy Paper for Kosovo (2015/2020) • SEETO Strategic Documents (MAPs) • Joint statement WB 6 ministerial held in Pristina in March 2015 • Development Multi Modal Strategy for Kosovo (2015 – 2025) • EBRD and EIB Investment plan
10. Activities carried out during the reporting period under the Action: (max 250 words)	The activities so far implemented for the project on General Rehabilitation of the Railway Route 10 are presented below: • Phase 2 Works Contract Commencement date is 10 October 2022. Performed activities are associated with submission of Contractor's initial deliverables, mobilization and delivery of office equipment and vehicles for the Engineer and Employer, proposal of materials for approval. • Supervision Services Contract for Phase 2 was signed on 29.09.2021
11. Actual results: (max 250 words plus table if relevant)	Phase 2 Works Contract was signed on 8 December 2021. The Commencement notice, following the Advance Payment, was declined by the Contractor as being without effect. Following negotiations, it was agreed and signed Addendum No. 1 to the Contract defining as Commencement Date 10 October 2022. There is no physical progress to report. Expected results are: New upgraded railway km 35 Upgraded railway stations 5 nr.
12. Risk assessment: (max 250 words)	At this stage of the project implementation the risk assessment, proposed mitigations and risk severity remains materially as stated in the GAF, adding to it the adverse international circumstances (supply chain disruption due to COVID-19 and ongoing armed conflict between Russia and Ukraine), leading to excessive price increases and shortages, rationing and/or lack of construction materials. These are beyond the control of the parties. It is however expected that additional funds will be needed to cover the Adjustment for Changes in Cost that will apply to the Contract as per SC 13.8 following the Construction Cost Index published by the Kosovo Agency of Statistics.

13. <u>Visibility and communication activities:</u> (max 100 words)	INFRAKOS as a beneficiary of the grant until now has implemented all activities foreseen for the development of the project by having direct communication with all parties involved in this project, including: • EBRD and EIB • IFICO as an institution engaged for drafting of TOR • Hill IPF 9 Consortium responsible for drafting of the Project Design. • Ministry of Finance as promoter of the project; and • All other interested parties Project information billboard for Phase 2 has been installed in Fushe Kosove Station, Obiliq Station, Prelluzhe Station, Vushtrri Station, Mitrovice Station. 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.
14. <u>Monitoring activities:</u> (max 150 words)	Monitoring performed Regular monitoring meetings have been conducted between PIU and EBRD and EIB via video conference. Further Monitoring Activities The Beneficiary delivers project periodic reports to the IFT's on a three-monthly basis in form and content as prescribed in the legal agreements. Also, the Engineer's Monthly Progress Reports are being sent to the IFT's, allowing monitoring of the progress Phase 2 Works contract status on a monthly basis.

2.2 - Project Actions before Implementation Stage

2.2.1 - Orient/East-Med Corridor: General Rehabilitation of Railway Route 10 in Kosovo, Signalling and Telecoms for Phase 1 and Phase 2

Current status – Advanced tender preparation stage
Refer to Annex#1 Updated Project Procurement Plan

2.2.2 - Orient/East-Med Corridor: General Rehabilitation of Route 10 Phase 3, Mitrovicë– Border with Serbia Railway Section

Current status – Preparation stage
Refer to Annex#1 Updated Project Procurement Plan

[Once in implementation stage GAP reporting template will be used to report the progress under each of the above actions]

3 - WORKS PROGRESS AND COSTS ESTIMATES

The achieved work progress and cost estimates under the concluded Works contracts are presented below:

WORKS PROGRESS & COSTS ESTIMATES				
	CONSTRUCTION / ENGINEERING CONTRACT	Unit	Ph1 Works Contract - Contract №45276/ 06.02.2019	Ph2 Works Contract Contract № 8147446-IFT-45276/ 08.12.2021
	CONTRACTOR		GCF	GCF
TIME PARAMETERS OF CONTRACT				
A	Commencement date		30.08.2019	10.10.2022
B	Original Time for Completion	days/month	730	455
C=A+B	Original Date for Completion		29.08.2021	08.01.2024
D	Extensions of Time for Completion	days	488	-
D'	Current Time for Completion	days	1218	455
E=C+D	Current Date for Completion	days/month	30.12.2022	08.01.2024
F=C+D	Current Projected Date for Completion		30.12.2022	08.01.2024
FINANCIAL PARAMETERS OF CONTRACT				
G1	Contract Price without Contingency	Eur	73 826 891,46	45 422 672,07
G2	Contingency	Eur	4 798 747,94	2 271 133,60
G3	Contingency for VO's	Eur	-	233 699,65
G (G1+G2+G3)	Total Contract value	Eur	78 625 639,40	47 927 505,32
FINANCIAL PROGRESS OF CONTRACT				
K	Amounts Certified for Payment to date	Eur	42 047 219,24	4 792 751,00
K1	Paid advance	Eur	7 862 563,94	4 792 751,00
K2	Materials on site	Eur	22 377 555,43	-
K3	Variation orders	Eur	3 913 427,41	-
K4	Retained money (5%)	Eur	2 211 383,17	-
K5	Advance payment repayment (K-K1)	Eur	7 862 563,94	-
K6	Adjustments for changes in costs	Eur	6 190 168,71	-
K7	Provisional sum for DAB	Eur	26 000,00	-
P1=K/G	Progress: % of current Contract Price after Variations and Addenda	%	53,48%	10,00%
M	Time Elapsed	%	1219	82
M'	Estimated Delay	days	-	-
N=M/D'	% of elapsed Current Time for Completion	%	100,08%	18,02%
ADJUSTMENT TO CONTRACT VALUE TO DATE				
S1	Approved estimated cost of contingency	Eur	2 847 915,42	-
S2	Adjustment of cancelled activities	Eur	4 939 375,94	-
S3	Engineer's Determinations or other costs	Eur	259 200,00	-
S4	Costs for DAB	Eur	140 000,00	-
S5	Adjustments for changes in costs	Eur	6 190 168,71	-
S6	Remaining Provisional sum for Contingency	Eur	1 551 632,52	-
S7	Delayed Payment financing charges	Eur	4 939,11	-
P2=S6/G2	% of remaining contingency from the Contract provisional sum, excluding Adjustments for changes in costs	%	32%	
P3=S5-S6+S7	Current shortage of funds, considering paid adjustments for changes in costs	Eur	4 643 475,30	-
S=S1+S3+S4+S5+S7	Total approved/certified to date	Eur	9 442 223,24	-
ESTIMATED COST OF EXPECTED VARIATIONS				
T1	Unforeseen costs and Price adjustments (CCI increase)	Eur	10 734 855,48	15 552 722,92
T2	Corrections for cancelled/replacement activities	Eur	-	-
T3	Claimed amounts under SC 20.1 with open status	Eur	-	-
T	Total estimated to date	Eur	10 734 855,48	15 552 722,92
P3=(S+T)/G2	Estimated total % of contingency needed	%	27,33%	34,24%
P3'=G1+S+T-G	Estimated shortage of funds		15 378 330,78	13 047 889,67
V=G1+S	CURRENT CONTRACT VALUE, VARIATIONS AND PRICE ADJUSTMENT INCLUDED	EUR	83 269 114,70	45 422 672,07

4 - MAIN DIFFICULTIES ENCOUNTERED DURING THE REPORTING PERIOD AND IMPLEMENTED MEASURES

4.1 - Project Overall

- i. Delays in the Project procurement procedures
- ii. The FIDIC Red Book Works Contract conditions used in the project transfer the risk for Construction Cost Escalation to the Employer. The upward trend of it in the last year will impact the overall project cost and additional funds will be needed to cover price adjustment costs. Support and guidance is being sought in that respect from MoF and IFI's. Ongoing re-evaluation and re-calculation of the Project Funding Gap by the PIU. Latest estimation reflected in Annex 1 and Annex 7 to the report.

4.2 - Phase 1

1.	Serious Delays in Works, mainly in Tunnels and Bridges' Retrofitting but also ancillary works	
	Description	Works in Tunnels commenced on January 2022 while for the 14 Steel Bridges requiring retrofitting are still pending.
	Impact	Delay to issue Taking-Over Certificate and Completion (Contractor's risk)
	Solution	With Add. 3 all liability for the design and construction of the Project's tunnels was transferred to the Contractor. Already works on tunnels 6 and 7 are delayed in relation to the Revised Baseline PoW. The works for the 14 steel bridges' retrofitting still have not commenced and several documents are still missing (method statement, hoisting design, subcontractor's approval, materials submission) although repeatedly requested. Already works on bridges 13-19 are delayed in relation to the Revised Baseline PoW. The highly deficient progress in the construction of ancillary works (6% drainage channels of total 61.4 km, 0% fences, 0% level crossings) can jeopardize the issue of SC 10.1 Taking-Over Certificate. Following the Contractor's data provided in his answer to the Engineer's SC 8.6 notice, the Time for Completion is compromised.
2.	Timely Payments to Contractor	
	Description	The Project is having three different funding sources and the MoI as a payment intermediate which can disturb a smooth payment process of the Contractor's justified and approved financial requests.
	Impact	The potential contractual consequences from delays on the IPC payments and financing charges under SC 14.8.
	Solution	Since the EIB part is paid through the MoI, coordination with the MoI's relevant Departments has achieved agreement of payment procedure resulting in payments being made within 14 calendar days after IPC submission to MoI, even though MoI several times did not finish the payments in the 14 days, in the letter referred to them Infrakos wrote that it is their responsibility if the payments are not done in time. Payments under the Grant Agreement and EBRD Loan Agreement run almost smoothly as per the Disbursement Handbook provisions, except from the last IPC, IPC 19 which the money disbursed from the grant part were not paid in time to the Contractor. The financial charges for the delayed payment of the IPC-19 and IPC-20 are included in the IPC-23, following the Employer's PIU decision. The Employer has taken all necessary measures to avoid any further delays in payment (operating procedures in place and funds availability)

3.	Excessive increase of construction materials cost and potential shortages	
	Description	Due to the adverse international circumstances (supply chain disruption due to COVID-19 and ongoing armed conflict between Russia and Ukraine) there are excessive price increases and shortages, rationing and/or lack of construction materials.
	Impact	The Contractor has submitted a relevant SC 20.1 notice to claim. If shortages are confirmed and cannot be tackled with reasonable measures then the timely completion of the Works might be affected (shared risk?)
	Solution	This issue is beyond the control of the Parties. The Contract foresees Price Adjustment mechanism (see point below) to tackle with the price increase. For the issue of the material shortages it is the Contractor's duty to realize his PoW on time and to try and mitigate the shortage through alternative sources of procurement. The Engineer has asked for all evidence.
4.	Excessive increase of price adjustment cost	
	Description	The Construction Cost Index (CCI) issued by the Kosovo Agency for Statistics has excessively increased, currently to 37,79% in relation to Base Date.
	Impact	CCI increase directly affects the cost of price adjustment (Employer's risk)
	Solution	Construction costs worldwide are continuously increasing thus adversely affecting the CCI, hence the price adjustment costs under the Contract. The Employer, supported by the Supervising Engineer, is assessing the additional funds needed in consideration of the ongoing upwards trend and is undertaking necessary steps to secure funds availability for covering the price adjustment costs to be incurred. Availability of Funds continues to be the biggest Employer's concern and necessary procedures have been undertaken in order to secure the additionally needed funds.
5.	Quantities not included in the BoQ	
	Description	Items exist which are not foreseen in the BoQ, the main one being slope stability measures for mainline excavations. Others are anchoring benches in embankments, demolition of concrete elements, riverbank protection gabions.
	Impact	Adverse financial impact to the Project (Employer's risk)
	Solution	VO-3 has addressed several cases by providing updated designs initiated and managed by the Engineer.
6.	Contractor's Commitment to Quality	
	Description	Quality Assurance system of the Contractor does not function and the Contractor's commitment to quality is not observed.
	Impact	The quality of the Works can be compromised (Contractor's risk - long term Employer's risk on maintenance)
	Solution	The quality system of the Contractor does not properly work as the increased number of opened Non-Conformance Reports (NCRs) by the Engineer reveals. The Engineer has to enforce the Contract Specifications and very closely monitor the Works. Since IPC-03 the Engineer has started to retain money for the important NCRs. A further detailed determination on the values upon each NCR is under the Engineer's

		consideration. The excessive number of open NCRs should close otherwise a delay to issue the SC 10.1 Taking-Over Certificate shall be experienced.
7.	Contractor's tendency to claim	
	Description	Contractor has a tendency to claim. 22 claims are currently open.
	Impact	Increased effort required for proper Contract Management. (Risk allocation is split among Parties depending on the DAB's opinion).
	Solution	Article 9 of Add.3 closes the majority of opportunities for claiming to the expense of the Employer, thus reducing his risk. The Engineer closely monitors all Contractor's activities, keeps contemporary records, and enhances the project control mechanisms. The Engineer's technical staff is properly instructed and consults their senior management related to any instruction given on Site. Early identification of contractual risks, detailed response to all letters to facilitate a third party review and creation of the foundations to rebut any unjustified claim. It is observed increased efforts by the Contractor to claim in order to produce a negotiation basis as to force the Employer to accept a further EoT. From all the submitted new claims up to now, the Engineer does not consider any as critical and the majority are unfounded, still remaining to be substantiated by the Contractor.
8.	Design Overruns (Expropriations)	
	Description	The Design does not have the right-of-way limits on the design. Consultant compared received property line limits with the extent of the design and found out that in several cases expropriation will be needed.
	Impact	If additional land is required for the Works, then the expropriation procedure shall affect the Contractor's PoW and create grounds for EoT claims. Moreover, the Contractor certainly will halt works in any of these places and claim for delays, as he is using any possible chance to reduce his own delays (Employer's risk)
	Solution	Infrakos property limits have been plotted in the Design to investigate areas with insufficient right-of-way. Design modifications are mandatory to limit the required width of the Works in the identified areas. VO-3 Designer commenced its services and is providing the necessary solutions. Due to the extent of the required designs Addendum no.1 to VO-3 was signed on 18/08/2021. VO-3 design has completed the majority of the Project's length.
9.	Permits	
	Description	The Contract requires the Contractor to acquire all necessary permits
	Impact	Absence of required permits may lead to halting of Works and delays (Contractor's risk)
	Solution	Permits are mainly related to environmental issues and have been requested multiple times by the Engineer (18/05/2020, 29/07/2020, 17/08/2020 - notice). The only permit required in a Ministerial level is the Water Permit which takes time to be acquired. All other permits are issued by the relevant Municipalities. The Contractor must comply as soon as possible. Otherwise, SC 15.1 [<i>Notice to Correct</i>] will be issued.

10.	Public relations	
	Description	The Project will interfere with the public as described in points 4 and 5 above, as well as for the uncharted utilities, mainly the private ones.
	Impact	If not properly managed this can create friction or unrest and potential disruption in the smooth sequence of Works and eventually delays. (Employer's risk) If permits are not obtained by the Contractor and proper coordination with the utility owners is done, as required by the CS, unwanted frictions may occur. (Contractor's risk)
	Solution	The Employer must establish public relations team to collaborate with the Contractor. This team should move in front of the Works with their set out to identify problems and negotiate existing ones. The Engineer had already advised the Employer about that and arranged a presentation on 21/11/2019 from the PR manager of BEGP (Route 6 Contractor) of the experience from Route 6 construction. Until now the Employer has managed its collaboration with the Contractor through the PIU team.
11.	Third Parties	
	Description	Works may affect illegal structures built inside the property of Infrakos which might be difficult to demolish
	Impact	Contractor halts the Works and claims for delays (Employer's risk)
	Solution	Already happened in the Fushe - Kosove area, where walls W1 and W2 demolish Municipality's asphalt roads built inside Infrakos' property. Municipality already reacted negatively to this. Design modifications through VO-3 were made to save time and social impact. Similar problems might occur in other places.
12.	Route 6 Works	
	Description	The topography of the Lepenc gorge has completely changed since the Design's time
	Impact	The Contractor cannot apply the designed works since an updated survey is required (Employer's risk)
	Solution	Through VO-3 several design modifications were instructed to the Contractor on 20/08/2021 mainly related to the riverbed protection works in Bridges 20 to 29. More modifications are expected because of topography change resulting to additional savings. Part of VO 3 Scope.
12.	Demining Survey for unexploded ordnance (UXO)	
	Description	The Contractor has expressed its concerns for the potential presence of unexploded ordnance (UXO) or explosive remnants of war (ERW).
	Impact	Apart from potential health and safety issues, the Contractor can claim for reduction in the rate of excavations hence EoT and cost. (Employer's risk)
	Solution	Since 22 July 2021 KSF team is on Site surveying for UXO the Works, thus limiting the risk to the Employer. Reduced rate of excavation is addressed through Article 10 of Add.3. However, KSF have halted since November 2021 and recommenced on 21 March 2022. No findings since then.

4.3 - Phase 2

The main issue being addressed throughout the reported period was achieving compliance with the Conditions Precedent for the first drawdown under Tranche B under the EBRD Loan Agreement, dated 4 September 2015. With the help of relevant Ministries and EBRD Bank the Employer paid the advance payment on 20.05.2022 and the Notice to Commencement was issued by the Engineer. The Contractor in the interim submitted correspondence (letter refs. RKSP2 22, 022/22 and RKSP2 22, 027/22 within which he is stating that he has contractual grounds to terminate the Contract but is not willing to do so under the condition that the Employer agrees to adjustments in the changes to costs and extension of the time for completion. Eventually after the Commencement Notice was issued. However, via letter ref. RKSP2 0029/22 the Contractor declined the notice as being without effect, claiming that he has already rightfully terminated the Contract. As a result a high level meeting between the Employer, Engineer, Contractor and both Banks (EBRD, EIB) took place on June 3, 2022. The outcome of the meeting was that the following decisions were taken:

- the Contractor to submit his requests, by June 10, 2022;
- the Employer to review the Contractor's requests and counter-propose by June 30, 2022;
- in order to give sufficient time to both sides to negotiate, it was decided both the Employer and the Contractor, to exchange letters, stating that they agree to suspend the validity of the two Notices of Contract Termination, till June 30, 2022.

On the same day, June 3, 2022, the Employer and Contractor exchanged letters stating the suspension of the validity of both Notices of Contract Termination, reference letters 8/92 dated 03.06.2022 and RSKP2 36/22 dated 03.06.2022. Due to the labyrinthine and lengthy communication between the parties, as described above, Employer did not manage to have his own counterproposal ready by June 30, so Employer asked from Contractor to consent to the extension of the suspension of both Notices for Contract Termination validity until July 15, 2022 in order to prepare counterproposal. Contractor accepted the Employer's request for the above-mentioned extension of time (extension of the suspension of both Notices for Contract Termination validity until July 15, 2022).

The Employer asked the Engineer to initiate the procedures of negotiations, but it was stated that according to the Red Fidic Contract is beyond of their scope of work. Though that it was asked from the Engineer to be part of initiation of the procedure, the final lead for the negotiations was taken by the Team Leader of Technical Assistance fully supported by the Head of PIU and the Engineer's Team. The first coordination Meeting took place with the participation of Employer (Head of PIU), Employer's Technical Assistant (EGIS), Contractor (GCF) and Engineer (Hill Intl., DB). At this meeting, it was agreed that Contractor should submit a proposal that is in accordance with the two base dates for the calculation of the revisions of the unit prices of the Contract. Contractor, responding to the request of Employer, submitted his proposal with which he once again expressed the need to adjust the unit prices of the Contract (Price Adjustment) as well as the need to extend the time of its completion. The next negotiations Meeting took place with the participation of Employer (Head of PIU), Employer's Technical Assistant (EGIS), Contractor (GCF) and Engineer (Hill Intl., DB). At this meeting, it was agreed by both parties (Employer, Contractor) that Price Adjustment is applicable to this contract (Sub-Clause 13.8 of GCC) and Employer stated that wants to discuss mechanism for change of base date in order to prevent/compensate for liquidated damages. There was a dispute regarding the Notice of Termination of Contract since Contractor stated, for one more time, that the Contract legally terminated by his own notice and Employer stated that the Contract is ongoing. As a conclusion "Contractor confirms that he understands the position of Employer, will discuss internally and will request an update from suppliers on possible schedule of deliveries and, respond asap" in order to evaluate "EoT with a new completion date based on actual delivery dates of the project key materials." By 26 September 2022 it was agreed at the meeting with the Employer, on September 13, 2022 submitted his proposal, which is as follows:

- 1) The Parties agree to definitively withdraw their notices of termination and to waive their termination claims;
- 2) The Employer shall formally agree that Sub-Clause 13.8 applies and that, therefore, the amounts which will become payable to the Contractor shall be adjusted "based on the Construction Cost Index (CCI), as published by the Kosovo Agency of Statistics", applying the contractual Base Date, i.e. May 11, 2020.

After long negotiations, Contract Regulation Meeting was held on 06.10.2022 between Employer, Contractor, Engineer and Technical Support. Among other aspects agreed in the meeting, Parties signed MoM and main agreed issues are:

- SC 13.8 Adjustment for Changes in Cost will apply to the Contract following Construction Cost Index published by the Kosovo Agency of Statistics
- Period from the beginning of June to the end of September 2022 will be excluded from the calculation formula for Price Adjustment

- Commencement Date is 10 October 2022 and time for completion 455 days
- Withdrawal of respective termination notices and to waive any claim related to events occurred prior to the date of this meeting

The resultant Addendum 1 was signed on 19.12.2022 with agreed Commencement date 10 October 2022 and respective Completion date on 08 January 2024.

Ongoing specific project risk identification and assessment.

5 - KEY PERSONNEL CHANGES IN THE STAFF OF THE PROJECT ENTITY, THE PIU, THE CONSULTANTS OR THE CONTRACTORS

Chief Executive Officer of Infrakos

A new Chief Executive Officer of Kosovo Railway Infrastructure SHA – INFRAKOS, Mr Naser Krasniqi, has been appointed by the board of directors' decision dated 13.01.2023 with No. 2/58.

The composition of the Board of Directors of Railway Infrastructure of Kosovo SHA remains unchanged since 14.09.2022 and is as follows:

Edona Nahi, Head of the Board of Directors of Infrakos

Besarta Zuka, Member of the Board of Directors of Infrakos

Shpend Gjogja, Member of the Board of Directors of Infrakos

Genc Hundozi, Member of the Board of Directors of Infrakos

Head of PIU

A new Head of PIU, Mr. Nexhmi Rama, has been appointed since 25.01.2023 by order of the new CEO.

Resident Engineer

Since 1 Aug 2022 the Team Leader /Resident Engineer is Theodoros Athanasiadis, who was previously a Deputy Team Leader. The position of the Deputy team leader has been occupied by Ioannis Megremis since 13 Aug 2023. The previous Resident Engineer, George Papaioannou, who left the position for personal reasons, is occupying the position Contract /Claims Specialist.

Project Manager of the PIU Consultant

In January 2023 the Project Manager of the PIU Consultant left the project. The Consultant is expected to propose a replacement for the position.

6 - MATTERS THAT MAY AFFECT THE COST OF THE PROJECT

Identified issues with possible impact on the overall project cost and duration are:

- Excessive increase of price adjustment cost due to inflation and respective excessive increase of Price Construction Index issued by the Kosovo Agency for Statistics.
- Ongoing impact of the coronavirus pandemic and the war in Ukraine on the overall project resourcing and progress, procurement procedures and project costs.
- Delayed procurement process due to anti-pandemic measures may impact future candidates' price offers due to factoring within the pandemic risks and associated additional costs and time which renders original project expenditures assumption underestimated. Ongoing update of estimations and additional funds are being sought to cover the estimated funding gap.
- Necessary further Addendum to the Phase 1 Supervision Contract to regulate needed Engineer's team inputs to cover fully the new Time for completion of the Works Contract.
- Necessary additional funds for the Phase 2 Works Contract to cover estimated adjustment in cost due to the CCI index increase. Additional funds will also be needed for extending the inputs of the mobilised Phase 2 Supervising Engineer's team.
- Necessary additional funds to cover the overall project cost increase.

7 - DEVELOPMENT OR ACTIVITY LIKELY TO AFFECT THE ECONOMIC VIABILITY OF ANY PART OF THE PROJECT

Nothing to be reported.

8 - UPDATE ON THE TECHNICAL DESCRIPTION (SIGNIFICANT CHANGES VS. INITIAL SCOPE)

8.1 - Variation orders under the Phase 1 Works Contract

VO or Amendment no.	Date(s)	Description	Reason	Status	Amount
Add.2	14-01-20	Addendum 2 to the Contract	Provisional Sum for Employer's part of DAB's fees and costs	Approved/Instructed	140,000.00*
1	30-09-2019 12-02-2020	Benchmarks	Faulty benchmarks are required to be re-established and handed to the Contractor. 113 out of a total of 429 are unusable, more specifically 22 reperes, 83 polygonal points (2nd order) and 8 trigonometrical points (1st order).	Approved/Instructed	25,600.00
2	17-01-2020 05-03-2020	Continuous Welded Rail	The existing Design foresees 14.9 km of jointed rail, ie rails not welded between them to form a continuous rail, but are jointed between them with the use of fish-plates. The Engineer investigated to minimize this jointed rail by the use of different European Standards and maximize the continuous welded rail (CWR) length which increases the riding quality of the line and reduces maintenance costs. This is in line with the Employer's requirements for the track. The saving is estimated to be considerable (over 500 k€).	Approved/Instructed	26,250.00
3	17-01-2020 11-03-2020	Design Support Services	The Project's Design was elaborated without including the Infakos' boundaries therefore design overruns violate private and/or state properties. Employing a designer to be provide real time support to provide design changes is required.	Approved/Instructed	122,682.00
4	30-09-2020 11-03-2020	Geotextile behind Gabions	The Design missed the separation geotextile that is placed behind the gabion baskets to prohibit the mitigation of the fine embankment material through the high voids of the rock material placed inside the gabions and, as such, compromise the embankment's stability.	Approved/Instructed	56,873.50
5	30-09-2020 29-05-2020	Forepoling	The Design of Tunnel no.3 foresees stabilization measures with the method of forepoling using 3,528m of grouted steel tubes with dia 139.7mm and thickness 5mm. However, the Bill of Quantities (BoQ) does not include a relevant item for it hence the calculation of a unit rate in that respect is required.	Cancelled with VO18	217,324.80
6	02-10-2019 16-09-2020	Upgrade of Concrete Classes	Design concrete classes do not fulfill the requirements as per EUROCODE for freeze and thaw and needs to be upgraded.	Approved/Instructed	386,529.64
7	01-12-2020 30-12-2020	Improvement Layer under Railway Track Bed	Although the Contract Specifications foresee under para 2.3.19 the need for foundation improvement of the railway embankment over soils with poor geotechnical characteristics, the BoQ did not include any such item. Site conditions have shown the need for extensive use of such an improvement layer	Cancelled/Replaced by VO-7N	1,130,976.00
8	22-12-2020 30-12-2020	CWR Design (VO-2) Revised Quantities	Following the approval of VO-2 design and its instruction to the Contractor, there is a necessity to regulate the new quantities and adjust the Provisional Sums of the Contract. This is a negative VO.	Approved/Instructed	-1,478,411.00
3, Add. 1	05-08-2021 18-08-2021	Design Support Services Extension	Extension of contract for VO-3 Design Support Services is required to complete all remaining issues with design	Approved/Instructed	125,325.24
9	31-08-21	Various Cancellations	Following several meetings with the Employer, several decisions were taken to mitigate risks as to those assigned on Local Roads, to better define the Scope of the Works and generally to save unnecessary expenditures: 1. LEVEL CROSSINGS 2. LOCAL ROADS/SIDE ROADS 3. HAND-HELD DERAILLERS 4. CANCELLATION OF 2 SWITCHES, INDUSTRIAL LINES AND RELATED WORKS 5. CANCELLATION OF GABIONS km 307+700 – km 308+970 This is a negative VO.	Approved/Instructed	-1,110,438.79
10	31-08-21	Dimpled Membrane	The dimple membrane (DIMPLED MEMBRANE MGP 400-BLACK) was added to the Works to protect double bituminous coating for the reinforced concrete structures. This item was not foreseen in the Tender Design.	Approved/Instructed	140,527.16
11	31-08-21	Sleeper Anchors	The addition refers to the Sleeper Anchor against lateral track displacement. This item was added due to the changed solution from fish plates to CWR and for a better performance of the track in curves with less than 250 m radius.	Approved/Instructed	169,332.40
12	31-08-21	Abutments and Piers Protection	The initial design did not foresee the protection of abutments and piers in those locations where the river may damage the structures in case of floods and subsequent debris flow.	Approved/Instructed	209,639.04
13	31-08-21	Bridge bearings protective system against water ingress	The initial Design did not foresee the protection of the steel bridges' pot bearings in those locations where river splashing and debris may infiltrate to the bearings' seat and cause damage. The best practice provisions and EN 1337-9 recommendations were applied to protect bearings for a freeboard of 1.00 to 1.50 m above the maximum water level.	Approved/Instructed	30,800.00

VO or Amendment no.	Date(s)	Description	Reason	Status	Amount
14	31-08-21	Lepenc river regulations in the areas of Bridges 15 to 29	The construction of Route 6 Motorway regulated extensive lengths of river Lepenc banks rendering not necessary the foreseen in the Design interventions in Bridges 2129. Moreover, river training works for Bridges 15-20 were redesigned based on the approved by the Mol hydrologic and hydraulic design and practice followed in Route 6. This is a negative VO.	Approved/Instructed	-1,210,079.21
7N	02-09-21	Improvement Layer construction - Update according to Site conditions	Replacement of VO-7, Improvement Layer under Railway Track Bed, instructed to the Contractor on 30/12/2020, with the information of the actual conditions encountered on Site related to construction of improvement layer under subgrade and embankment foundation. This VO will be paid as a Lump Sum item.	Approved/Instructed	506,351.98
15	02-09-21	Revised quantity for QS3 subgrade	Due to the construction of the improvement layer with the use of the old ballast material mix for it, the quantities for subgrade out of clean QS3 layer have to increase since the quantity of the old ballast foreseen in the original BoQ for subgrade construction is no more available	Approved/Instructed	268,351.29
16	02-09-21	Supply and transportation on site of new ballast material (volumetric control)	The Initial BoQ was foreseen the delivered ballast to be paid in metric tons upon delivery. Due to lack of control means the ballast will be paid in volume m ³ of laid to the track line ballast.	Approved/Instructed	180,517.84
17	02-09-21	COVID-19 Expenses	COVID-19 expenses reasonably incurred by the Contractor during the period the Government of Kosovo imposed restrictions for public health, from March 2020 to 01 June 2021	Approved/Instructed	87,916.28
18	09-09-21	Tunnels Redesign and Portal's Slope Protection	The different geological conditions from the Design's assumptions which were identified from Contractor's geological investigations in the tunnels' areas led to the need to redesign the temporary support for the underground part. Moreover, the lack of any slope support measure in the Design at the portals' areas also required the design of these measures and relevant works as per CS para 2.4, Protection measures. This VO Amount is additional to BoQ Group MG-06, Tunnels, with a contractual cost of 3,570,450.28 €. Hence, the total LS of this VO is 6,735,621.38 €.	Approved/Instructed	2,947,846.30
19	27-10-21	VO-19, Road Level Crossings Change	Change of the initial Design material for level crossings STRAIL type to prefabricated rubber elements for level crossings from the UK company Rosehill.	Approved/Instructed	-30,008.15
20	21-01-22	Design change for Culvert C043	The needs of local community around the Site were met by changing the Design from a 3mx3m culvert to a 6mx4m at km 276+940.	Approved/Instructed	14,537.90
21	21-01-22	Provision of facilities for the Demining Team of KSF	After the request of the Employer to the Government, a team from Kosovo Security Force has been engaged to investigate the excavated areas from UXO (unexploded ordnances). This VO is related to the expenses incurred by the Contractor (food, water, utilities) in support to this team.	Approved/Instructed	29,471.20
				TOTAL SUMS	2,847,915.42

A new VO is to be issued regarding the removal of a significant quantity of demolition materials in Gurez Area which were blocking the continuation of Works in the area around C065. On 10/02/2022 the PIU coordinated with the Municipality of Kacanik the appointment of a designated deposit area for that debris that must be removed.

8.2 - Variation orders under the Phase 2 Works Contract

No Variation Orders were initiated.

9 - MAJOR ISSUES WITH IMPACT ON THE ENVIRONMENT

During the reporting period the following findings that may have impact on the environment have been noted on a base of conducted site visits and correspondences with the Contractor:

- **Water supplying:** No official answer for water supplying has been submitted to the Engineer. Recently has been observed that the Contractor is taking water for the Project needs from the river Lepenc. The issue was discussed in the Meeting held on 30.09.2022, between Employer, Engineer and Contractor. During the Meeting, the Contractor was notified that this action is not allowed and should stop taking water from the river. Nevertheless, upon the site visit carried out on 07.10.2022, 06.12.2023 and 23.12.2023 at Tunnel T6 and T7 area, the Engineer noticed that hose was still placed in the river Lepenc and the installed water tank is filled with water taken from the river.
- **Working activities near or in the riverbed:** Because the water permit was not provided by the Contractor and the Engineer has sent the above mentioned letters. The Contractor stated that they have applied for obtaining of the Water Permit, but have not given further information to which stage the issue has reached. This issue was discussed during the meeting held on 30/09/2022 and the Contractor declared that they have applied, but the Authorities have not answered to their application. In the Monthly Report No.38 for October 2022, the Contractor has included the same information already submitted to the Engineer during year 2020. The Engineer replied by letter P XK-00005.00/ED/S2117 that the Contractor must give more efforts to obtain the water permit and all municipalities and all watercourses to which the railway line is passing must be considered. The Contractor performed deviation of the river Nerodime, nearby Culvert 078 without water permit which was observed by the Engineer on 08.11.2022. Also deviation of the river Nerodine at Culvert 080 has been observed on 06.12.2022. For these issues letters and NRC was issued by the Engineer. On 22.12.2022 the Engineer has received from PIU the Water Compliance issued by the Ministry of Environment, Spatial Planning and Infrastructure for refurbishment of culverts and bridges for whole railway line (the permit No. 5014-3/20 was issued by the Ministry on 21.06.2022).

The Contractor has proposed a deviation of the railway line near Tunnel T7, crossing twice Lepence river, to open the line for traffic and continue works inside the Tunnel T7. For this issue has been given consent of the PIU and Engineer conditionally. The Contractor will prepare all the related designs, which the Employer will approve. The contractor shall obtain all permission from the Authorities as per Law requirements. Having that, this proposed deviation is passing nearby river Lepenc and must cross this river at two locations Contractor initiated one Meeting for their proposal of deviation at *Ministry of Environment, Spatial Planning and Infrastructure*, since is subject of their approval. This was Joint Meeting with the Contractor, PIU and representatives of the *Ministry of Environment, Spatial Planning and Infrastructure*. During the meeting was concluded that the Contractor must submit all required documents in respective Ministry such as: Design, Certificates of ownership for the land where deviation will pass, Agreements with land owners, etc. The works for deviation of the railway line cannot start before the permission will be obtained by the Ministry. Representatives of the Ministry committed themselves to review the documents as soon as practicable after the Contractor will submit the completed application.

- **Waste water:** Concrete washouts have been observed at Metalurgjia stop, although in smaller quantities since the Contractor removed majority of concrete washouts created during previous period. NCR 395 has been issued for concrete washouts during concreting of the ditches at cs.1526 and NCR 398 for concrete spills over the new superstructure at cs.860 between C020 and C021. Extensive concrete washout has been identified nearby Culvert 043 and in Ferizaj area, where concrete washout has been observed inside soil deposit and nearby retaining wall. During December 2022 several and extensive concrete washouts have been observed at Ferizaj area at many locations where the works are ongoing. Having that this issue has been repeated for a long time until now without improvements NCR No.426 has been issued to Contractor for concrete washouts created at Ferizaj area. In addition, concrete washouts have been also observed at Tunnel T6 and T7 area, among other one has been created in close vicinity of river Lepenc.
- **Dust emission:** The sites were not watered and dust emissions were generated at Ferizaj and Miradi area, Metalurgjia stop, Stop at ch.294+900.
- **Noise:** The Contractor uses equipment on site that generate low level of noise. Also equipment has mufflers for noise. There is no evidence of complaints from the local inhabitanacies about increased noise level.

- **Rented area:** During previous reporting period created soil deposits and construction waste deposits have been identified in the vicinity of Tunnel T6 area. Soil deposits have been observed at Ferizaj area at two locations and at Metalurgjia stop, where deposit materials have been placed adjacent to the river Nerodime and Stop at ch.294+900, where adjacent areas to the site have been used for soil deposits. Quantity of the materials deposited is significant, but no action has been taken by the Contractor in submitting Lease Agreements and Permits required from the Authorities. From the beginning of year 2022 until end of December 2022 no Lease Agreement has been submitted by the Contractor nor any has been included in the Contractor's Monthly Report.
- **Waste:** The Contractor has not provided complete information about generated types of waste, waste management (including agreement with authorised company for waste collection), temporary storage or disposal on authorized locations, etc. The Contractor has been reminded again by letter to provide the Contracts with licensed Waste Management Companies.
- **Domestic waste:** Waste bins were placed at Stop ch.294+900 and Tunnel T6 & T7 area. At Metalurgjia stop, Ferizaj area, Miradi area waste bins were not placed.
- **Vegetation waste:** This type of waste has been observed at Tunnels T6 and T7 area and Metalurgjia stop. At the Stop at ch.294+900, respectively village Stagove the vegetation waste was placed in close vicinity of river Nerodime.
- **Construction and demolition waste:** Again new quantities of construction debris have been observed in close vicinity of Tunnel T6 and T7 because of their widening, at Metalurgjia stop from demolishing of the culverts and at Stop at ch.294+900 from demolishing of the Bridges 11 and 12. The Engineer repeated many times the request in written and verbally that should be informed to where these construction debris are being sent, no official information from the Contractor side has been received, neither agreement with any licensed company is submitted.
- **Rails and wooden sleepers:** The rails are being stored at Miradi Station storage area, agreed location with Infrakos. At Kaçanik Station have been observed numerous old wooden sleepers either damaged or left unattended. Similar situation is observed at: Ferizaj area, Stop at ch.294+900 and Metalurgjia stop. Dismantled parts of old wooden sleepers are not removed from the sites at Metalurgjia stop, Miradi area, Tunnel T2, T6 and T7 area, Ferizaj area and Stop at ch.294+900. To the mentioned areas the old sleepers have not been stored properly or left unattended and not at the agreed location with Infrakos. Based on the decision of GoK, old wooden sleepers dismantled from the railway line which are currently stored at Miradi Cargo area will be handed over from Infrakos to Kosovo Security Forces in order to be re-used for their needs in the Training Center of Kosovo Security Forces. During December 2022 transport of the old wooden sleepers from Miradi cargo area to Kosovo Security Forces premises has already started.
- **Ballast:** Ballast has been removed at Metalurgjia stop, Stop at ch.294+900, Miradi and Ferizaj area.
- **Hazardous waste and chemicals:** There is no storage area prepared for hazardous waste and storage of chemicals. No information is submitted by the Contractor related to any licensed company which will manage, transport and dispose such waste, except one local company for managing the waste oils. Drip trays are not being provided to any of the sites to prevent leaks and spillages where the works are ongoing. No response spill kits are available on sites in case an incident occurs. Fuel and oil spills are present continuously on the sites, created mainly from the Contractor's machinery. Numerous oil spills were observed at Ferizaj area respectively near cs.1611 over the new superstructure elements and Stop at ch.294+900 area, Ferizaj Station, Metalurgjia stop, Tunnel T6 northern portal and T7 area. During December 2022, the situation with oil spills at Tunnels area remained unchanged related to the oil spills, where the older oils spills have not been removed but numerous and even more extensive oil spills have been created at the abovementioned area. NCR No.425 has been issued during this period related to oil spills created at the area between Tunnel T6 and T7.
- **Biodiversity:** The Contractor has damaged trees nearby deviated river Nerodime (Stop at ch. 294+900 - Culvert 080).

10 - PROJECT-RELATED PICTURES

Clearing and grubbing in Ferizaj area



Clearing and grubbing at the Portals of Tunnel 2



Clearing and grubbing in Stagove area



Clearing and grubbing in Stagove area



Inspection of the upper protective layer

Location: Near Gurez



Inspection of the protective layer

Location: Miradi



Inspection of the upper protective layer

Location: Ferizaj



Inspection of the subgrade layer

Location: Stagove



Inspection of the protective layer

Location: Miradi

Inspection of the upper protective

Location: Miradi

Earthworks in Metalurgjia area ch. 291+840 – 291+920

Construction and testing of upper protective layer



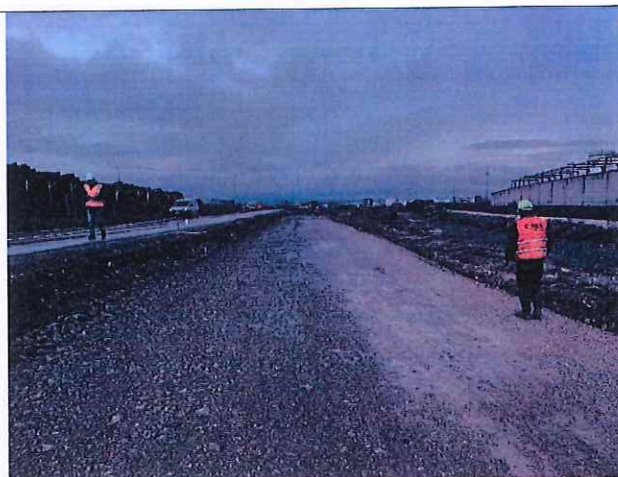
IMK

NO.	DATE	DESCRIPTION	BY	CHECKED	APPROVED
1	2022/12/22	Construction of upper protective layer	...	...	...
2	2022/12/22	Testing of upper protective layer	...	...	...
3	2022/12/22	Excavation of rocky material	...	...	...
4	2022/12/22	...	...	...	...
5	2022/12/22	...	...	...	...
6	2022/12/22	...	...	...	...
7	2022/12/22	...	...	...	...
8	2022/12/22	...	...	...	...
9	2022/12/22	...	...	...	...
10	2022/12/22	...	...	...	...
11	2022/12/22	...	...	...	...
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13	2022/12/22	...	...	...	...
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48	2022/12/22	...	...	...	...
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50	2022/12/22	...	...	...	...

Earthworks in Stagove area ch. 294+471 – 296+490

Excavation of rocky material



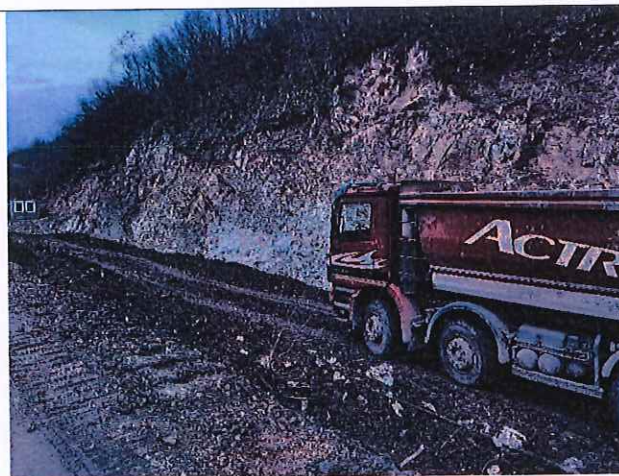


Construction of upper protective layer in Fushe Kosova cs 133+7.5-cs 136



Earthworks performed by the Contractor in Ferizaj area

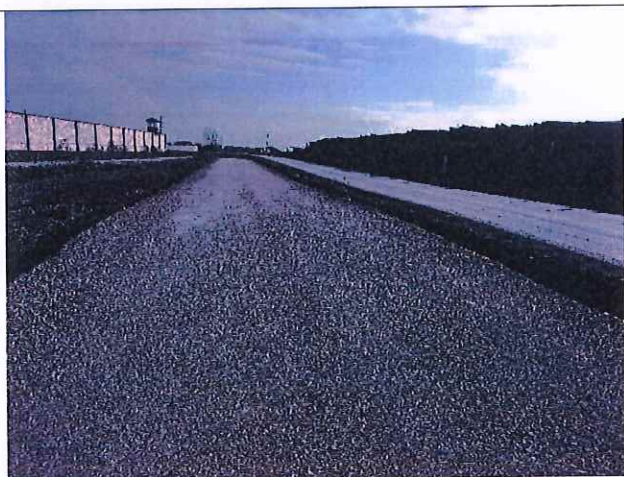
Excavation of the zero ground level



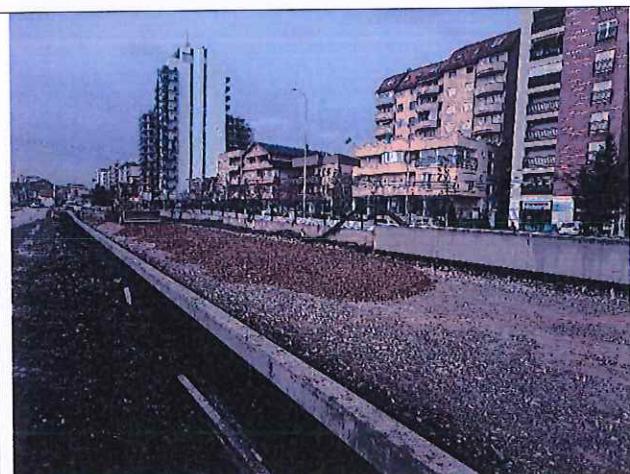
Excavation of rocky material



Construction of layer in Miradi station cs.279-284+7.8



Construction and testing of the upper protective layer



Stagove area ch. 294+471 – 297+000

Dismantling of existing railway S49 on wooden sleepers



Ferizaj area ch. 278+820 – 280+785

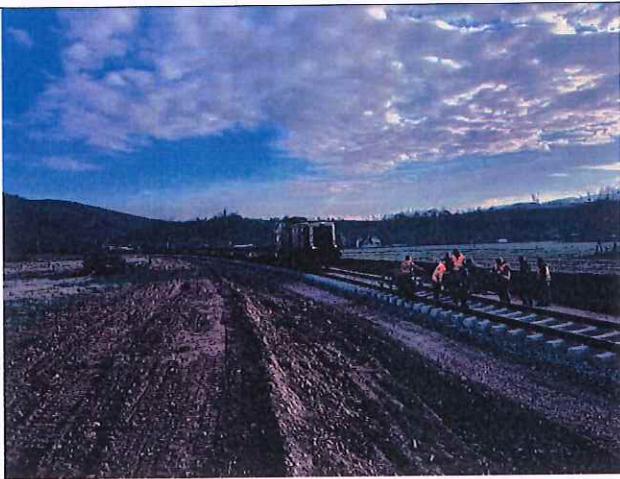


Miradi Station - Turnouts



Construction of railway line in Metalurgjia area ch. 290+980 – 293+153

Laying of concrete sleepers and rails UIC 60



Second layer of ballast



Aluminothermic Rail weldings



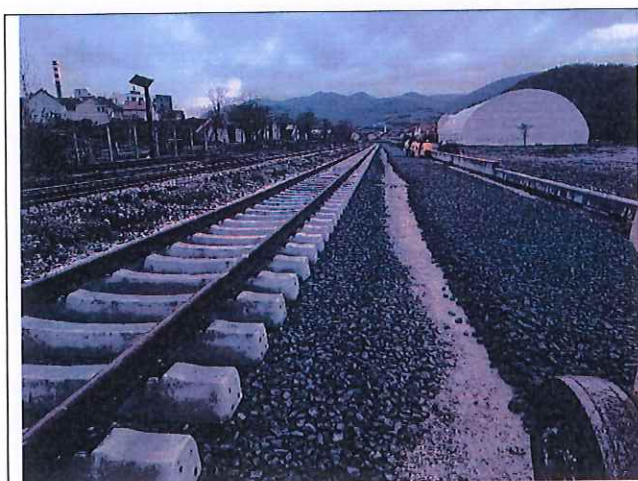
Tamping of ballast



Laying of first layer of ballast and new concrete sleepers



Laying of new rails UIC 60 EI and S 49



Construction of side ditches in the section Kusine - Ferizaj

Excavation and construction of side ditches



Performed works for construction of Culverts

Installation of reinforcement and waterstop

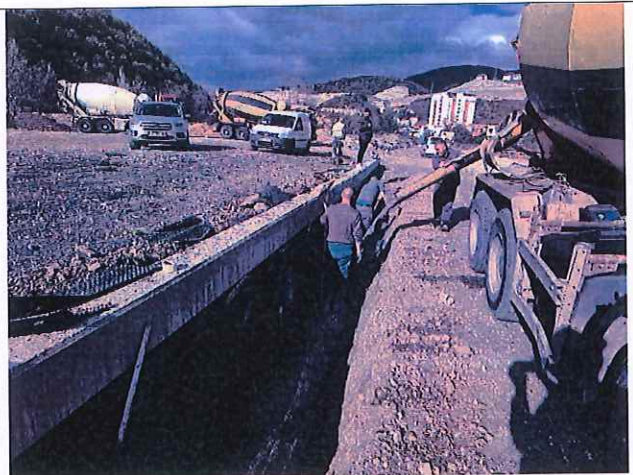


Construction of side ditches in the section Kusine - Ferizaj

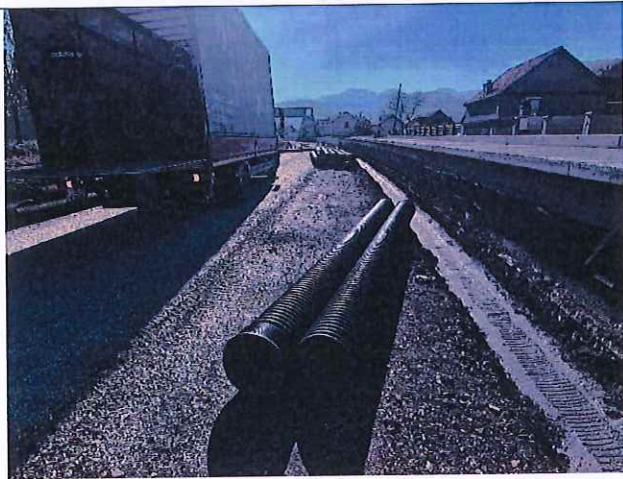
Excavation and construction of side ditches



Pouring of lean concrete



Installation of perforated pipes, geotextile and filter gravel material



Pouring concrete

Constructed culvert body



Construction of side ditches in the section Ferizaj ch. 282+650 - 283+086

Construction of drainage along the wall 07_Left

Excavation of the channel



Lean concrete



Constructed wall 25_Right



Constructed wall 26_Right



Constructed walls 14_Right and 8_Left

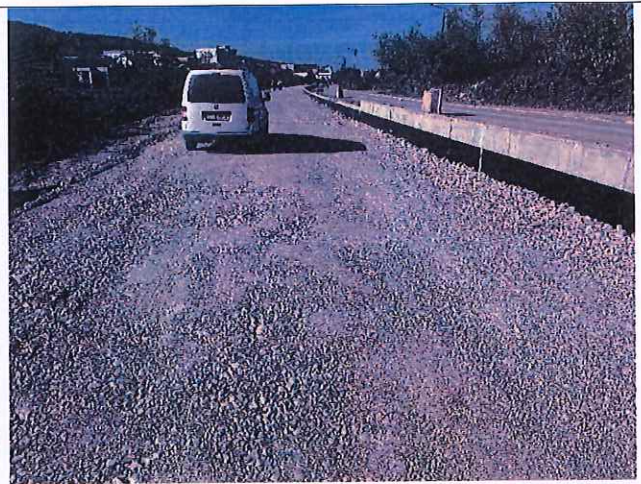


Constructed wall 14_Left

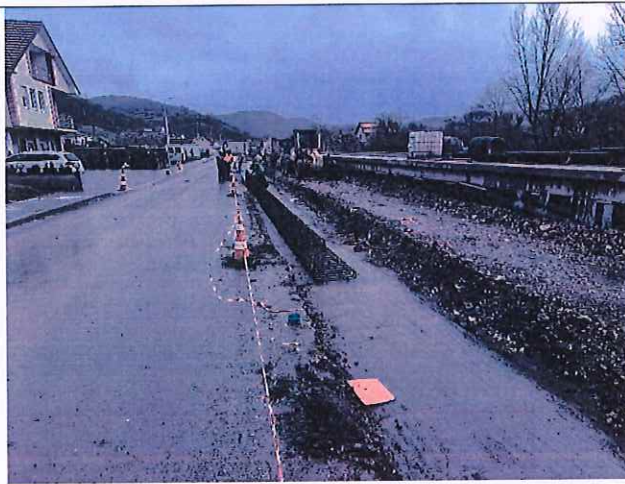


Constructed wall 12_Right

Constructed wall 07_Left



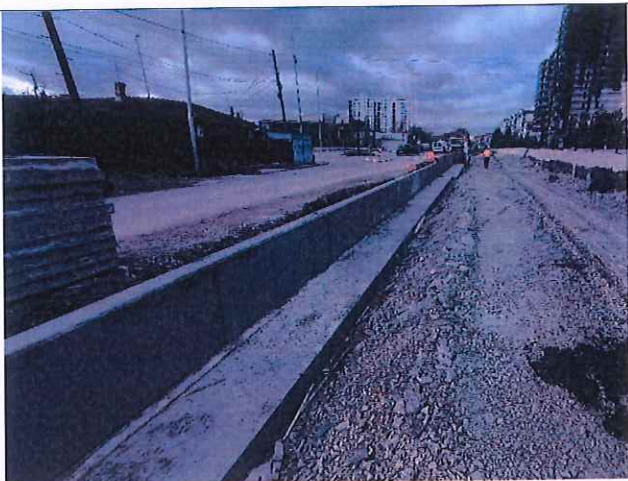
Construction of retaining walls RW-19 Left and RW 20 Left in Stagove



Constructed walls 19_Right



Constructed wall 14_Left



Constructed wall 14A_Left

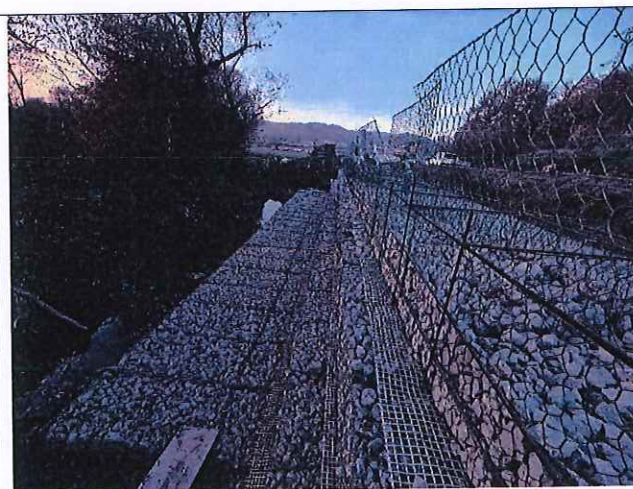


Constructed wall 18_Right

Filling of gabion cages with quarry stones



Filling of gabion cages with quarry stones



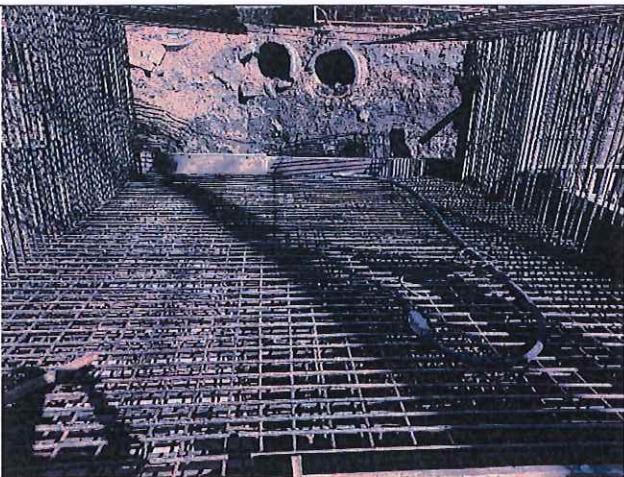
Constructed Gabions



Gabions ch. 293+880 – 294+160

Construction of gabion cages and filling with quarry stones

Installation of the reinforcement



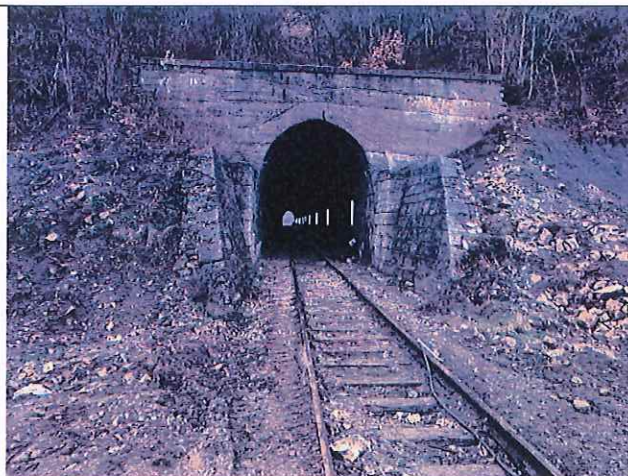
Pouring of concrete for foundation



Double bituminous coating and dimple membrane application



Tunnel 2



Tunnel 6

