



Western Balkans
Investment Framework **WBIF**
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KOSOVO RAILWAY ROUTE 10 REHABILITATION PROJECT

PERIODIC PROJECT REPORT

CUT-OFF DATE OF THE REPORT: 30 SEPTEMBER 2023



PRESENTED BY:

Beneficiary (Project Implementing Entity) Details



Client Name:	Kosovo Railway Infrastructure INFRAKOS J.S.C
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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.	
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Reporting Period: Q1, Q2, Q3 2023	

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Name	Organisation	Comments
	EBRD	
	EIB	
	MoF	
	MIT	
	CEO, Infrakos	
	NIPAC	

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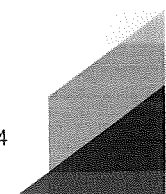


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Annex#2 Status of compliance with each of the Project agreement covenants

Annex#3 Photographic site report

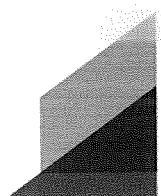


TABLE OF ABBREVIATIONS

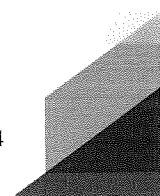
BoQ	Bill of Quantities
CA	Contracting Authority
CEO	Chief Executive Officer of INFRAKOS
CFO	Chief Financial Officer of INFRAKOS
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIA	Environmental impact assessment
EIB	European Investment Bank
EU	European Union
GAF	Grant Application 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 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.

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), including estimation of project funding gap. In Annex #2 it is presented the status of fulfilment of the project agreement covenants.

The overall project status and progress achieved as of the cutting date of this report is presented in the sections below. Photographic report is also presented in Annex #3.

2 - PROJECT STATUS

2.1 - Project Actions in Implementation Stage

2.1.1 - Executive Summary

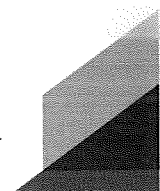
Key issues and risk factors that have a high probability and high impact on the completion of the Project:

A. Works Contract Phase 1

- a) At the end of the reporting period, the financial progress is around 62.42% with 80,30% time elapsed;
- b) The achieved average monthly progress in the reported period is around 1.1%;
- c) The Parties signed Addendum no #4 effective from 25.04.2023 stipulating:
 - (i) An EoT until 30.09.2024 at no additional cost for the Employer;
 - (ii) The cost of re-design for 13 new steel bridges with re-enforced abutments is 500 kEUR;
 - (iii) The cost of the additional work will have to be justified by the Contractor;
 - (iv) Defining Milestone Completion Dates to be respected by the Parties;
 - (v) Closing and Settling total of 22 Claims of the Contractor and 6 claims of the Employer.
- d) The Contractor did not submit PoW as per SC 8.3 and para. 10 of Addendum #4. The Engineer has issued a Notice to correct under SC 15.1.
- e) There are already Addendum #4 Milestones which the Contractor is failing to respect.
- f) The quality of works is considered by the Engineer as the one of the critical issues, with total withheld amount under SC 14.6 of 1,3 mEUR as of the end of the reported period. The Engineer has expressed his concerns of the Contractor's reaction and has alerted the Employer. Total number of the non-closed NCRs is 416;
- g) 30.03.2023 EIB raised concerns about the Contractor's compliance with the environmental requirements and local regulations; The Engineer has issued a Notice to correct under SC 15.1 on 31.03.2023.
- h) The initial contract price has a strong tendency to overrun, that mainly explained by the significant escalation of the Construction Cost Index and application of SC 13.8 Adjustment for Changes in Cost (estimated by the Engineer as 12.6-20.62 mEUR, most likely closer to the upper limit); As a result, the Application of SC 13.8 Adjustment for Changes in Cost together with other contractual adjustments detailed in Section 2.5.4 above may potentially lead to adjustment of the Accepted Contract Price in 19 mEUR;
- i) Unsecured financial resources related to the increased project costs (awaited promulgation of Loan agreement with EIB for 38 mEUR which will cover the identified additional funding needs for Phase 1).

B. Works Contract Phase 2

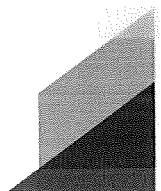
- a) At the end of the reporting period, the financial progress is 21.4%, whilst the 78% of the time for completion is absorbed. Contractor is showing 6 m EoT in his progress report program update, however not substantiated.



- b) Application of SC 13.8 Adjustment for Changes in Cost leads to adjustment of the Accepted Contract Price in 12 mEUR which is an optimistic forecast based on the gradual increase of the Construction Cost Indexes over the period 2021-2022 and taking into account the application of the price adjustment mechanism endorsed by the DAB in the Work Contract Phase I; and
- c) Unsecured financial resources related to the increased project cost (awaited promulgation of Loan agreement with EIB for 38 mEUR which is likely to cover the identified additional funding needs if current CCI index maintains its current value or moved downwards);
- d) EBRD loan and WBIF funds for Phase 2 is not yet possible to be disbursed, pending the acceptance by EBRD of the Environmental & Social Action Plan to be enclosed to the funding agreement.

C. Other

- a) The Supervision contract for Work Phase I has been extended until 25.04.2024. This extension does not cover the anticipated duration of Works Contract for Phase I.



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

2.1.2.1 - Scope of Work (Phase 1)

Phase I of the Project includes the section that connects Fushë Kosovë, near Prishtina, to the North Macedonian border at Hani i Elezit. This line, 66.823 km long, is the only operational railway link connecting Kosovo's domestic network to the international network. As such, it carries all import and export rail traffic to and from Kosovo. The line was last overhauled 45 years ago and has only had routine maintenance for the last twenty years. It includes seven tunnels, in many of which the linings are in poor condition, endangering the stability of the structures and limiting train speeds to 20 km/h. Design speed is 120 km/h (70 km/h for the last 21 km), axle load 250 kN and the structural gauge, UIC-GC. The main features of Phase I are provided in the Table below.

TABLE 1. MAIN FEATURES OF PHASE 1 WORK CONTRACT

Description	Unit	Value
Length of Project	m	66,823
Length of UIC 60 rail track (CWR)	m	65,717
Length of UIC 60 turnouts	m	1,287
Length of secondary rail tracks	m	13,857
Width between rails (gauge)	m	1.435
Quality of primary rails, UIC 60		R260 & R350HT
Quality of secondary rails, S49		R260
Stations	nr.	8
Stops	nr.	5
Tunnels	nr.	7
Length of Tunnels (incl. T4)	m	983
Bridges	nr.	34
Length of Bridges	m	773

2.1.2.2 - Key Data of the Work Contract (Phase 1)

2.1.2.2.1 - Original Key Data. Work Contract (Phase 1)

The Key Data of the Work Contract (Phase I) is provided in the Table below

KEY DATA OF THE WORK CONTRACT (PHASE I)

Description	Data
Employer	INFRAKOS Kosovo Railways Infrastructure
Contractor	Generale Costruzioni Ferroviarie S.p.A.
Engineer	Hill International NV
Base Date	23 July 2018
Construction Contract Agreement signing	06 February 2019
Commencement Date	30 August 2019

Description	Data
Time for Completion (Initial)	730 days
Works' Completion Date (Initial)	29 August 2021
Time for Completion (Add.4).	30 September 2023
Defects Notification Period (DNP)	365 days
Accepted Contract Amount (ACA)	78,625,639.40 EUR without VAT ¹
Provisional Sum for Contingencies	4,798,747.94 EUR

2.1.2.2.2 - Addendums to the Work Contract (Phase 1)

The list of Addendums to the Work Contract (Phase 1) is provided in the Table below.

ADDENDUMS TO THE WORK CONTRACT (PHASE1)

#	Title	Bank's no objection	Signed
Add.1	Accepted Contract Amount and Advance Payment Reduced Advance Payment from foreseen 15% to 10% of the ACA	13-12-2019	14-01-2020
Add.2	DAB - Dispute Adjudication Board (Add the fees of the DAB member to the CP)	13-12-2019	14-01-2020
Add.3	EoT and Regulation of all open contractual issues. EoT up to 30/12/2022	24-09-2021	08-12-2021
Add. 4	EoT and Regulation of all open contractual issues. EoT up to 30/09/2024	16-05-2023	12-07-2023
Agrmt. 1	Conditional suspension of the activities under the Contract and EoT until 31 January 2023	n/a	21-12-2022
Agrmt. 2	Conditional suspension of the activities under the Contract and EoT until 15 February 2023	n/a	30-01-2023
Agrmt. 3	<i>Conditional suspension of the activities under the Contract and EoT until 31 March 2023</i>	n/a	15-02-2023
Agrmt. 4	<i>Conditional suspension of the activities under the Contract and EoT until 25 April 2023</i>	n/a	01-04-2023
Agrmt. 5	<i>Conditional suspension of the activities under the Contract and EoT until 31 July 2023 and preliminary agreements for the scope of Addendum 4</i>	n/a	26-04-2023

2.1.2.2.3 - Variation Orders (Phase 1)

Detailed description of all instructed VO's is included in Section 9.1.

¹ Works Contract is exempted from VAT based on Laws 05/L-072 and 05/L-111

2.1.2.3 - Works Contract Progress (Phase 1)

PROGRESS DURING Q1, Q2, Q3 2023

Description	December 2023	September 2023	Quarterly Progress	Average Quarterly Progress
1	2	3	4 = 3-2	5
Materials on Site	68.0%	78.6%	10.6%	3,53%
Works	38.8%	48.6%	9.8%	3,27%
Total Financial Absorption	53.5%	66.42%	12.92%	4,31%

PHYSICAL PROGRESS Q1, Q2, Q3 2023

Physical progress indicators	Total length	Completed December 2023	Completed September 2023	Quarterly Progress	Average Quarterly Progress
1		2	3	4 = 3-2	5
Primary Rail Track	65.717 km	49.180 km	53.183 km	4.003 km	1,33 km/quarter
Secondary Rail Track	13.857 km	8.341 km	10.677 km	2.326 km	0,78 km
Primary and Secondary Rails Tracks	79.574 km	57.521 km	63.859 km	6.338 km	2,11 km

2.1.2.4 - Cost. Work Contract (Phase 1)

2.1.2.4.1 - Accepted Contract Price and Actual Financial Progress. Work Contract (Phase I)

The Accepted Contract Price and Actual Financial Progress are presented below:

FINANCIAL PROGRESS OF WORK CONTRACT (PHASE 1)

WORKS PROGRESS & COSTS ESTIMATES		Updated as of:	30.9.2023	30.9.2023
	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
	INITIAL 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 Accepted Contract Amount	Eur	78 625 639,40	47 927 505,32
	CURRENT FINANCIAL PARAMETERS OF CONTRACT			
G1'	Contract Price with Contingency Used	Eur	77 334 096,64	45 422 672,07
G2'	Remaining Contingency	Eur	1 291 542,76	2 504 833,25
G3'	Adjustments for changes in costs to date	Eur	9 349 920,57	1 463 997,02
G' = (G1'+G3')	Contract Price with Contingency Used and Adjustments for changes in costs	Eur	86 684 017,21	46 886 669,09
	FINANCIAL PROGRESS OF CONTRACT			
K	Amounts Certified for Payment to date	Eur	52 224 905,01	10 241 556,27
K1	Total Value of Completed Contract Works	Eur	41 886 956,78	4 633 978,15
K2	Paid advance	Eur	7 862 563,94	4 792 750,53
K3	Materials on site	Eur	27 043 279,71	474 191,75
K4	Variation orders carrying adjustments for changes in costs	Eur	4 199 229,05	-
K5	Variation orders not carrying adjustments for changes in costs	Eur	822 327,17	-
K6	Retained money (5%)	Eur	2 751 607,02	286 779,25
K7	Advance payment repayment	Eur	7 862 563,94	-
K8	Adjustments for changes in costs	Eur	9 349 920,57	1 463 997,02
K9	Provisional sum for DAB	Eur	37 226,99	-
K10	Application of SC 14.6	Eur	1 324 191,69	362 390,18
K11	Delayed Payment financing charges	Eur	4 939,11	-
K12	Progress: % of Current Contract Price without Adjustments	%	62,42%	21,55%
P2=K/G	Progress: % of the Accepted Contract Amount after Adjustments	%	66,42%	21,37%
M	Time Elapsed	days	1492	355
N=M/D'	% of elapsed Current Time for Completion	%	80,30%	78,02%

2.1.2.4.2 - Interim Payment Certificates (IPCs). Work Contract (Phase 1)

IPA-30 for works up to 31/01/2023 was submitted on 03/02/2023 for the amount 3,472,257.32 €.

IPC-27² () was issued on 10/03/2023 for the amount of 2,045,250.88 € and was paid on time.

IPA-31 for the works up to 28/02/2023 was submitted on 20/03/2023 for the amount of 2,305,026.14 € and after Engineer's evaluation it did not reach the amount required to be issued as an IPC.

IPA-32 for the works up to 31/03/2023 was submitted on 25/04/2023 for the amount of 5,134,871.18 €. IPC-28 was issued on 18/05/2023 for the amount of 2,284,884.21 € and was paid on time.

IPA-33 for works up to 30/04/2023 was submitted on 25/05/2023 for the amount of 3,005,929.12 € and IPC-29 was issued on 26/06/2023 for the amount of 561,780.05 €. Its payment was done in two parts on 18/07/2023 and 19/07/2023. No IPA was submitted for works executed during May and June 2023 during the reported period.

IPA-34 was submitted on 03.08.2023 for works executed during May and June 2023 for the amount of 4.914.027.64€ and IPC-30 was issued on 29.08.2023, for the amount of 2,000,185.01€ and was paid on time.

All disbursements under the Phase 1 Works Contract are presented below:

² Revised version due to arithmetical error discovered in the RFI 4828 for IPC-27 sent with letter PXK-00005.00/MZ/S2279 dated 06/03/2023

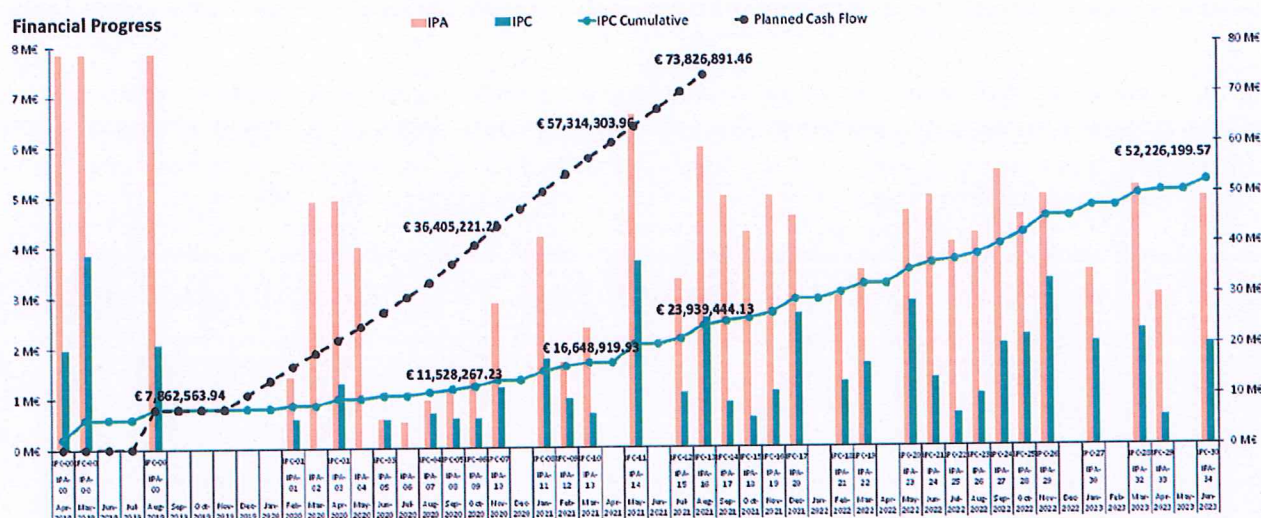
DISBURSMENTS – PHASE 1 WORKS CONTRACT

Phase 1					
Payment Ref.	Certified amount	Cumulative	EBRD	Grant	EIB
IPC 0 - Advance	7 862 563,94	7 862 563,94	4 022 563,94	3 840 000,00	
IPC 1	578 073,77	8 440 637,71			578 073,77
IPC 2	1 281 790,66	9 722 428,37			1 281 790,66
IPC 3	556 778,01	10 279 206,38	278 389,00	278 389,01	
IPC 4	670 519,08	10 949 725,46			670 519,08
IPC 5	578 541,77	11 528 267,23			578 541,77
IPC 6	572 899,68	12 101 166,91	286 449,84	286 449,84	
IPC 7	1 188 418,00	13 289 584,91	594 209,00	594 209,00	
IPC 8	1 745 844,20	15 035 429,11	872 922,10	872 922,10	
IPC 9	958 759,69	15 994 188,80			958 759,69
IPC 10	654 731,13	16 648 919,93			654 731,13
IPC 11	3 673 128,94	20 322 048,87	918 282,24	2 754 846,70	
IPC 12	1 058 504,03	21 380 552,90	264 626,01	793 878,02	
IPC 13	2 558 891,23	23 939 444,13	639 722,81	1 919 168,42	
IPC 14	868 553,97	24 807 998,10	217 138,49		
		24 807 998,10	651 415,48		
IPC 15	572 408,74	25 380 406,84	572 408,74		
IPC 16	1 094 625,93	26 475 032,77	273 656,48	820 969,45	
IPC 17	2 626 256,50	29 101 289,27	656 564,12	1 969 692,38	
IPC 18	1 280 577,38	30 381 866,65	320 144,35	960 433,03	
Ph 1 - IPC 0		30 381 866,65			
IPC 19	1 636 861,72	32 018 728,37	720 219,16	916 642,56	
IPC 20	2 853 293,35	34 872 021,72			2 853 293,35
IPC 21	1 338 584,75	36 210 606,47	334 646,19	1 003 938,56	
IPC 22	632 393,83	36 843 000,30			632 393,83
IPC 23	1 019 031,37	37 862 031,67	254 757,84	764 273,53	
IPC 24	2 014 351,90	39 876 383,57			2 014 351,90
IPC 25	2 184 936,75	42 061 320,32			2 184 936,75
IPC 26	3 272 779,10	45 334 099,42	818 194,78	2 454 584,32	
IPC 27	2 045 250,88	47 379 350,30	616 250,88	1 429 000,00	
IPC 28	2 284 884,21	49 664 234,51	571 221,05	1 713 663,16	
IPC 29	561 780,05	50 226 014,56	140 445,01	421 335,04	
IPC 30	2 000 185,01	52 226 199,57	500 046,25	1 500 138,76	
Total	52 226 199,57	52 226 199,57	14 524 273,76	25 294 533,88	12 407 391,93
% from paid/certified amount			28%	48%	24%

2.1.2.4.3 - Planned VS Actual Financial Progress. Work Contract (Phase I)

The planned vs. achieved financial progress is presented below:

FIGURE 1. FINANCIAL PROGRESS OF WORK CONTRACT (PHASE I)



2.1.2.4.4 - Adjusted Contract Price. Work Contract (Phase 1)

As of the end date of the reporting period, the Accepted Contract Price has been adjusted due to different factors.

ADJUSTED CONTRACT PRICE. WORK CONTRACT (PHASE 1)

	CONSTRUCTION / ENGINEERING CONTRACT	Unit	Ph1 Works Contract - Contract №45276/ 06.02.2019
	CONTRACTOR		GCF
	ADJUSTMENT TO CONTRACT VALUE TO DATE		
S1	Approved estimated cost of contingency	Eur	3 507 205,18
S2	Adjustments for changes in costs	Eur	9 349 920,57
S3	Remaining Provisional sum for Contingency	Eur	1 291 542,76
S4	Delayed Payment financing charges	Eur	4 939,11
P2=S2/G2	% of remaining contingency from the Contract provisional sum, excluding Adjustments for changes in costs	%	27%
P3=S3-S2+S4	Current shortage/availability of contingency funds, considering paid adjustments for changes in costs	Eur	- 8 063 316,92
S=S1+S2+S4	Total approved/certified to date	Eur	12 862 064,86

The total approved/certified costs to date are exceeding the available contingency provisional sum with 8,063,316.92 €.

Due to the considerable increase of the Construction Cost Index (CCI) issued by the Kosovo Agency for Statistics for Q2 of 2023, the current adjustment multiplier is 1.3508 or 35.08%.

As per IPC-30, the cost of price adjustment is at € 9 349 920,57 with a CCI that reached 142,2 in Q3 of 2022.

The trend for the CCI is for it to shift slightly downwards, as registered for Q4 of 2022 (141,3) and Q1 (139,5) and Q2 (139,4) for 2023. The estimated total amount for the price adjustment total cost as reported by the Supervising Engineer is between 12.6 to 20.62 M€, but realistically closer to or will exceed the upper limit.

2.1.2.4.5 - Anticipated Adjustments of the Contract Price. Work Contract (Phase 1)

The tentative forecast of the Final Contract Price is presented below.

FORECASTED FINAL CONTRACT PRICE. WORK CONTRACT (PHASE 1)

WORKS PROGRESS & COSTS ESTIMATES		Updated as of:	30.9.2023
	CONSTRUCTION / ENGINEERING CONTRACT	Unit	Ph1 Works Contract - Contract №45276/ 06.02.2019
	CONTRACTOR		GCF
	ESTIMATED COST OF EXPECTED VARIATIONS		
T1	Unforeseen costs and Price adjustments (CCI increase)	Eur	10 624 182,74
T2	Corrections for cancelled/replacement activities	Eur	-
T3	Claimed amounts under SC 20.1 with open status	Eur	-
T4	Estimated VO's	Eur	-
T	Total estimated to date	Eur	10 624 182,74
P3=(S+T)/G2	Estimated total % of contingency needed	%	31,81%
P3'=G1+S+T-G	Estimated costs beyond the Accepted Contract Amount		18 687 499,66
V=G1+S	CURRENT CONTRACT VALUE, VARIATIONS AND PRICE ADJUSTMENT TO DATE INCLUDED	EUR	86 688 956,32
	Current Contract Value without Price Adjustment	EUR	77 334 096,64
	ESTIMATED CONTRACT VALUE, VARIATIONS AND PRICE ADJUSTMENT INCLUDED	EUR	97 313 139,06

The currently anticipated cost, exceeding the Accepted Contract Amount due to the considerable increase of the CPI is near 19 mEUR, assuming there will be no significant fluctuations from the current CCI index rate (139,4).

The estimation above does not include information of additional costs of VO related to modification of the technical solution for the new bridges as per Addendum #4 subject to justification by the Contractor.

By signing Addendum No. 4, 23 claims were closed, while 4 remain open. There are six (6) open claims after signing Add. 4, but their detailed submissions per SC 20.1 are pending. One (1) notice of claim was submitted during the reporting period, increasing the total open notices of claim to seven (7).

Seven (7) claims as per [SC 2.5 Employer's claims] were closed by signing Addendum Nr. 4. No further claims were issued as of the end date of the reporting period.

2.1.2.5 - Time. Work Contract (Phase 1)

2.1.2.5.1 - Programme of Work. Work Contract (Phase 1)

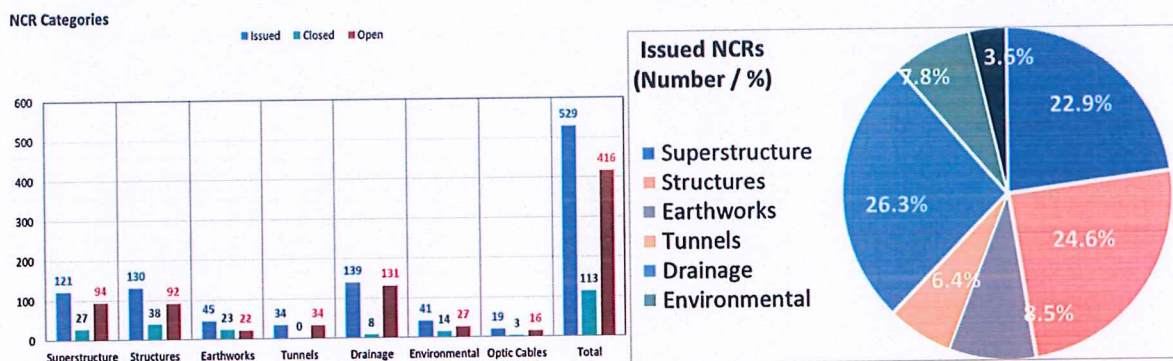
Within 28 days from the date signature of the Addendum No.4 the Contractor should have submitted a revised programme as per Clause 8.3 of the Conditions of Contract. This Programme shall include an updated Organization Charts with the names of qualified personnel who upon approval by the Employer shall be appointed to the following position with permanent presence on site (Construction Manager for Civil works, Tunnel Construction Manager, Steel Bridge Construction Manager). This Programme shall respect the Procedure of the Contractor's Design review and Approval and also the Milestones included in the Appendix 3 of the Addendum No. 4 (Clause 10, 11, 12, 13 of the Addendum No. 4). The Submission of the new Revised Baseline Programme as per SC 8.3, after signing of Addendum Nr.4, is pending. The Contractor refused to submit the required program of works as per SC 8.3, stating that the As built POW submitted with the Contractor's MPR of June 23 is valid. The Engineer issued a Notice to correct under SC 15.1, which remains open.

2.1.2.6 - Quality. Work Contract (Phase 1)

2.1.2.6.1 - Non-Conformity Reports. Work Contract (Phase 1)

The brief statistic of the issued Non-Conformity Reports (NCRs) extracted from the Engineer's MPR for September 2023 is presented below:

FIGURE 2.NCR. WORK CONTRACT (PHASE I)



Total number of the non-closed NCRs is 416.

2.1.2.6.2 - Notice to Correct. Work Contract (Phase 1)

Twenty-two (22) SC 15.1 [Notice to Correct] are open in total by the Engineer.

2.1.2.6.3 - Contractor's Claims. Work Contract (Phase 1)

With Addendum No. 4 22 claims were closed, while 1 remained open reg. VAT exemption of Fuels. By the time of signing the Addendum 3 more claim notices were received by the Contractor. As of the end of the reported period there are total of seven (7) open claims, but their detailed submissions per SC 20.1 are pending.

2.1.2.6.4 - Employer's Claims. Work Contract (Phase 1)

Seven (7) claims as per [SC 2.5 Employer's claims] were closed by signing Addendum Nr. 4. None was issued afterwards.

2.1.2.7 - Environmental and Social Issues. Work Contract (Phase 1)

Following the meeting with the Banks and relevant decisions a SC 15.1 [Notice to Correct] has been issued with letter P XK-00005.00/ED/S2314 "SC 15.1 [Notice to Correct] -Environmental and Health&Safety issues" dated 31.03.2023, for the non-compliances repeated for a long time until now by the Contractor. To the Notice to Correct were given deadlines for Contractor to improve Site conditions and submission of documents.

Deadlines were set to be fulfilled during April 2023; therefore, Engineer was waiting for Contractor's action during this reporting period and further actions after issuance of Notice to Correct will be taken in coordination with the Employer. Another important development during Q1 was the site visit carried out EBRD monitoring visit which started with joint meeting between EBRD, Employer and Engineer held on 15th May 2023 and followed next day 16th May 2023 by Joint Site visit including representatives of the Contractor. Site visit started from the area between Tunnel T6 and T7 and continued to Kaçanik Station, Stop ch.294+900 (Stagove area) and Gurëz Station. On 17th May 2023 was held closing meeting with recommendations for Employer, Engineer and Contractor.

The main findings, conclusions and recommendations are presented below:

Personnel: The Contractor nominated the Waste Manager during this period, respectively on 12th April 2023 which is considered as an improvement from previous reporting period. Contractor's Environmental Officer has been mobilized during November 2020.

Trainings: The Contractor is not submitting regularly evidences for HSE Trainings, although has been duly reminded many times by the Engineer, there is no continuity related to their submission. The same are only time by time included in the Contractor's Monthly Reports.

Waste: Rev.06 of Waste Management Plan has been approved as noted during June 2021 and Contractor was warned to strictly follow this document and start using the Waste Management Plan checklists which have been part of the Plan, despite remarks given by the Engineer their use has not been established yet.

Domestic waste: During the Site visits carried out on, April, May, June 2023 Engineer noticed that waste bins were not placed at Ferizaj area, Fushë - Kosovë Station and Tunnel T2 area thus Contractor is not fulfilling this basic requirement related to waste management. Waste bins were placed at Stop ch.294+900 and Tunnel T6 & T7 area which were not in different colors, thus were not facilitating recycling. At Kaçanik Station waste bins were placed with different color covers. Construction site is generally clean however bins must be emptied frequently. In some segments daily working sites are evidences empty water plastic bottles and remaining parts of corrugated pipes should not be buried or left on site. Wastes to be segregated accordingly based on typology of wastes.

Vegetation waste: During the Site visits carried out during previous reporting months were identified vegetation waste on Site. During this month vegetation waste was observed nearby Stagove village between chainages 293+240 to 294+240. Despite all efforts by Engineer side, the Contractor it is not considering this type of waste as a separate group of waste which should be properly managed by licensed companies, therefore until now no information was submitted by the Contractor to where is being sent this type of waste. Signs of burnt vegetation waste have been noticed during the Engineer's Site visits at northern portal of T6 during the Site visit on 10th May 2023. During visit on 16th of June there were also signs of burned vegetation observed.

Construction waste: During the implementation of the works the construction waste is being produced mainly from demolition of the concrete structure culverts and bridges which are stocked in piles and then removed from the Site on some occasions and sometimes are being deposited nearby the Site. To the Tunnel T7 and T6 area were also observed from the Engineer significant amount of construction material deposits from widening of the Tunnel T6 and T7. Volume of this type of waste is increasing as the works are progressing. 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. During April and May 2023 some parts of the construction waste were thrown into river Lepenc at northern portal of T6. NCR No. 488 was issued by the Engineer for the construction waste thrown into the river Lepenc at T6 area and the same is still open having that Contractor did not propose corrective action.

By beginning of May 2023 Engineer upon routine Site visits observed that Contractor continued to place the surplus soil in close vicinity and into river Lepenc at Hani i Elezit Station. Contractor was duly warned verbally and in written related to this issue by letter P XK-00005.00/ED/S2361 Soil deposit in close vicinity of the Lepenc river at Hani i Elezit. Construction waste not removed from Site was observed at Stagove area between

chainages 293+240 to 294+230. Since the situation has not been improved for a long time until now, during previous months many letters with remarks have been submitted to Contractor where remarks for construction waste have been addressed such as: demolished concrete debris and surplus of soil.

Rails – Removal of rails have started from the track near Miradi station and followed afterwards near Nakarade, Hashahaj Stop, Ferizaj Station and area, Bablak Station, Fushe Kosove Station, Lypjan Station, Fuzhlot stop, Gurez Station, Metalurgjia stop, Stop ch. 294+900, Kaçanik Station and at Hani i Elezit Station. The dismantled material is intended to be handed over to the Employer from Contractor through protocol with full evidence. At present generally rails are being stored at Miradi Station storage area. During this reporting period old dismantled rails/old superstructure elements not removed from Site or left unattended have been observed on Site at Stop ch. 294+900, Tunnel T6 area, Kaçanik Station, Kodrion Stop and Stagove area between chainages 293+240 to 294+230.

Ballast – The old ballast has been removed from the Contractor continuously and the same has been reused. The ballast has been removed nearby and at Miradi Station, Nakarade, Hashahaj Stop, Ferizaj Station, Bablak Station and area, Fushe Kosove Station, Lypjan Station and area nearby, Marigona, Gurez Station, Hani i Elezit Station, Kaçanik Station, Metalurgjia Stop and Stop ch. 294+900. Ballast is being stored in locations nearby and has been reused under the subgrade, mainly for the improvement of the soil and on some occasions also as a subgrade.

Hazardous waste – The Engineer replied to Hazardous Material Management Plan Rev.06 with Engineer's letter PXK-00005.00/ED/S1258 and the same has been approved as noted.

So far there is no storage area prepared for the Hazardous waste at Miradi Station nor in other Sites at Lypjan, Bablak, Ferizaj, Fushe Kosove, Gurez Station, Metalurgjia stop, Marigona area, Hashahaj Stop, "Stop" at chainage 294+900, Kodrion stop, Tunnel T2, T6 and T7 area, Kaçanik Station and Hani i Elezit Station. No information submitted by the Contractor related to any licensed company which will manage, transport, and dispose such waste has been presented, except one local company for managing the waste oils. Despite all Engineer efforts related to this issue chemicals are not being stored adequately.

Drip trays are not being provided to prevent leaks and spillages at any of the Sites where the works are ongoing. No response spill kits are available on sites in case an incident occurs.

Although the Hazardous Material Management Plan has been approved as noted and the Contractor should use the checklists and has been advised to do so, their use has not been established yet on Site.

Last but not least during July 2023 there was a site visit at all buildings planned to be rehabilitated, where the presence of ACM (asbestos containing materials) was observed and in line with local legislation the Asbestos Management Plan was prepared by the E&S expert engaged for PIU assistance by EGIS. This plan will serve as guideline for the contractor and its sub-contractors once the rehabilitation/renovation of the buildings will take place.

Wooden sleepers – Have to be treated and disposed as Hazardous Waste. Contractor dismantled old wooden sleepers nearby Miradi Station, Nakarade village, Hashahaj Stop, Bablak Station, Ferizaj Station, Fushe Kosovë Station, Lypjan Station, Gurëz Station, Metalurgjia stop, Stop ch. 294+900, Kaçanik Station and Hani i Elezit Station which are being stored to Infrakos premises nearby Miradi Station mainly with intention to be handed over to the Employer through protocol with full evidence.

During this period Engineer observed that were present dismantled parts of old wooden sleepers not removed from the Site as e.g., at Tunnel T6 area, Stop ch. 294+900, Kaçanik Station, Kodrion Stop and Stagove area between chainages 293+240 to 294+230. 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. On 31st January 2023, with letter RKSP1 2568/23 the Contractor informed Engineer and Employer that until now, 8634 pcs of old wooden sleepers had been handed over to KSF. Even during July 2023 there was no information submitted by the Contractor if wooden sleepers continued to be handed over to KSF.

During previous reporting periods following letters with remarks have been sent to Contractor related to old wooden sleepers which are not removed from Site such as: *PXK-00005.00/ED/S2234 Remarks after Environmental Site Visits at Kacanik Station and Tunnel T2 area*, *PXK-00005.00/ED/S2245 Remarks after Environmental Site Visits at Tunnel T6&T7 area, Stop ch.294+900*, *PXK-00005.00/ED/S2283 Remarks after Environmental Site Visits at Tunnel T6 & T7 area, Stagove area and Kaçanik Station* and *PXK-00005.00/ED/S2305 Remarks after Environmental Site Visits at Tunnel T6&T7 area and Stop ch.294+900*.

Oil Spills – Fuel and oil spills are present continuously on Site created mainly from the Contractor's machinery although the Engineer repeatedly asked the Contractor to organize on regular basis the servicing of their machinery by licensed services.

During this reporting period oil spills were observed at Tunnel T6 & T7 area and Kaçanik Station.

Letter PXK-00005.00/ED/S2392 has been sent regarding the oil spills created on Site during previous reporting period.

By letters sent during March and April 2023 related to oil spills created on Site was requested by the Contractor to check their equipment for leakages on daily basis and organize their regular services. It was also requested prompt action to clean the area thoroughly. Until end of April 2023 Contractor took action to remedy the area partially between Tunnel T6 and T7 but the same example was not followed for other locations.

NCRs No. 478 for Kaçanik Station and No. 479 for Tunnel T6 and T7 area have been issued during March 2023 for the numerous and extensive oil spills created on Site.

Water: Water & River Crossing Management Plan Rev 02 has been approved as noted by Engineer and PIU on 17th December 2021 with letter PXK-00005.00/ED/S1481. By the end of last year, respectively on 22nd December 2022 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.

In addition, Contractor has proposed a deviation of the railway line near Tunnel T7, crossing twice Lepenc river, in order to open the line for traffic and continue works inside the Tunnel T7. The consent of the PIU and Engineer was given with condition that Contractor shall obtain related permission from the Authorities. On 13th April 2023 Contractor submitted to the Engineer decision received from Ministry of Infrastructure to which construction of the by-pass nearby Tunnel T7 was not allowed with recommendation that other solutions must be found by the Contractor.

Upon Site visit carried out during previous reporting periods Engineer observed that hoses for taking the water from river Lepenc for Project needs were placed nearby northern portal of T6 and the southern portal of T7 and Contractor has not obtained related permission from Authorities. The water quality and chemical analysis were not checked. NCR No.460 was issued on 20th February 2023 for using the water taken from river Lepenc. During this reporting period situation remained unchanged and upon the Site visits Engineer observed that hoses were still inside the river and Contractor did not obtain permission for water use from the river Lepenc.

Rev.06 of the Fugitive Dust Management Plan was submitted and has been replied by the Engineer on 03rd June 2021 with Engineer's letter PXK-00005.00/ED/S1259 and approved as noted.

Due to weather conditions the site has been very dry. Despite very limited movements of trucks, the dust blow up frequently. Spraying water started immediately, 6 and 7 joint yard.

Wastewater: No concrete plants were placed on Site premises, and the concrete is being supplied from external concrete plants. Concrete washouts have been continuously present on Site and several times Contractor has been warned verbally and in written.

Concrete washouts have been observed at Tunnel T6 and T7 area during previous reporting period, among other one has been created in close vicinity of Lepenc river. During previous reporting period concrete washouts have been created adjacent to river Lepenc, at Ferizaj area from concreting of the ditches and at

Kaçanik Station, while during this reporting period concrete washouts have been observed at northern portal of T2. During previous and this reporting period Contractor presented corrective actions for closing of NCRs related to concrete washouts. Proposed corrective action of the Contractor for concrete washouts on Site and closing of NCRs is considered as an improvement of Site conditions.

During April 2023 proposals for closing three NCRs No.459, 467 and 477 have been submitted by the Contractor related to concrete washouts, but only NCR No.459 was closed while for NCR No.467 corrective action has been performed only partially and to the proposal for NCR 477 Contractor has missed the location of issued NCR by the Engineer.

During previous reporting period NCR No.491 for concrete washouts created at Ferizaj area from concreting of the ditches has been issued.

During this reporting period Contractor has proposed corrective action for closing of NCRs 395, 426, 480 and 498. Engineer checked Site Conditions upon receipt of Contractor's proposal and three NCRs No.426, 480 and 498 have been closed while NCRs 395 remains still open since presented actions in the proposal have not been performed on Site.

At Tunnel T6 & T7 area wastewater collection pit has been created by the Contractor but the discharge wastewater permit has not been obtained yet by the Contractor although was reminded duly by letter *PXK-00005.00/ED/S2245* sent during previous reporting period.

Mobile toilets: The construction Sites in Kodrion Stopand Stagove area (between chainages 293+240 to 294+230) are not equipped with mobile toilets. Verbal and written remarks have been given many times to Contractor related to this issue, having that are not fulfilled minimal conditions for the workers as required at the chapter GCC 6.7.2. Workers Welfare Accommodation and of Book 14 (ESRSR). During this reporting period following letter *PXK-00005.00/ED/S2392 Remarks after Environmental Site visits at Stagove area* has been issued to the Contractor with remarks for missing mobile toilets on Site. During April 2023 mobile toilets have been placed at Kačanik Station and Stagove area nearby Bridge 13 which is considered as an improvement from previous reporting periods. In addition, during May 2023 mobile toilets have been placed between Tunnel T6 and T7 and this is a positive result of issued Notice to Correct for HSE by end of March 2023. However, during June, July, August and September monitorings it was observed that these mobile toilets are not functional and does not have proper logbook for maintaining and cleaning.

Rented areas: The Engineer actively followed the situation related to the rented areas and on the occasions of Environmental Site visits these were extended to the nearby areas where the materials are being stored by the Contractor. Repeated reminders have been made verbally and in written while the Contractor did not answer until now fully for this issue. Some rented areas have had the Lease Agreements with the landowners but generally majority of required information were missing.

From the beginning of year 2022 until end of January 2023 no Lease Agreement has been submitted by the Contractor nor any has been included in the Contractor's Monthly Report for this period, although the Contractor has been reminded duly in written.

Lately in the Contractor's Monthly Progress Report for January 2023 submitted during February 2023 has been included one Lease Agreement with private landowner for Tunnel T7 area if potentially the deviation of the railway line will be executed. The same will not be used since deviation of the railway line has not been allowed by the Ministry of Infrastructure. To the CMPR No.44 for April 2023 two Lease Agreements have been included of subcontractor "O.P. Kastrioti" for rented areas in Runjeve village. This is an improvement of the Contractor in comparison with previous period.

During previous month letter *PXK-00005.00/ED/S2361 Soil deposit in close vicinity of the Lepenc river at Hani i Elezit* has been sent to the Contractor related to rented areas.

Reinstatement of the rented areas is the other issue of concern since usually the Contractor it is not taking action to bring those areas in initial condition.

The quantity of material deposits is significant and no action has been taken by the Contractor for the submittal of his Lease Agreements and Permits required from the Authorities. During previous reporting period many letters have been sent to Contractor with remarks related to this issue.

Community: The Community Health and Safety Plan rev.07 has been submitted and the same approved as noted on 13th May 2022 with Engineer's letter *PXK-00005.00/ED/S1747*.

During previous reporting period, respectively on 12th January 2023 Engineer received from the Employer information that one complaint from the Community member of village Stagove has been sent to Infrakos, for parcel number P-70917085-00602-0 because of missing Lease Agreement with landowner and the damages created to the property. The subject of the complaint is area where actually river Nerodime has been deviated, in close vicinity of Culvert 078. By end of May and through September 2023 the situation remained unchanged. Until now, no action has been taken by the Contractor to reinstate the area where the river was deviated. The Employer requested the immediate Contractor's actions forwarding the aforementioned letter.

During previous reporting period two letters with Complaints from Municipality of Kaçanik for Kaçanik town and Stagove village have been sent to Infrakos for the blocked properties and damaged roads. The same were forwarded to the Contractor through the Engineer on 23.03.2023 with letter P XK-00005.00/ED/S2307.

On 19th May 2023 Contractor submitted letter RKSP1 2776/23 with which informed the Engineer that between CS 2711 and CS 2720 the structures foreseen in the design are not within properties of Infrakos and the private land owner is already complaining/protesting and not allowing the Contractor to continue with the works.

Complaints from the Community generally are being submitted to the Employer/Infrakos and at some occasions to the Contractor. In this chapter Engineer can include information for the complaints from the Community that is usually forwarded by the Employer to the Engineer and at some cases are addressed directly to Engineer team.

Boxes for grievance mechanism of the community are placed only at Kaçanik Station.

Damages of local roads: Damages on the local roads and dirty roads have been observed during previous reporting periods throughout the railway line. During previous reporting period dirty roads with damages have been observed at Stop ch.294+900 area, respectively Stagove village and during this period roads were dirty in the village Kosine nearby Kodrion stop.

Complaint received from Municipality of Kaçanik has been sent to Infrakos for damages created to the roads, the issue has been forwarded to the Contractor by the Engineer.

Grievance Mechanism for the workers: Although this document has been approved as noted by the Engineer, it is not yet fully implemented by the Contractor on Site. In the Monthly Report for October 2022, Contractor has included some evidence with workers signatures that they are aware for existence of this Grievance Mechanism. Boxes for Workers Grievance generally have not been placed on Site. During this reporting period box for grievances of the workers has been placed only at Kaçanik Site.

2.1.2.8 - Key Issues. Work Contract (Phase 1)

The following key risks that have a high probability and high impact on the completion of the Contract:

- a) Slow rate of progress of the Contractor - 1,1 % average monthly vs. needed minimum of 2% average monthly in order to complete the Works within the available Time for Completion;
- b) The initial contract price has a strong tendency to overrun, that mainly explained by the significant escalation of the Construction Cost Index and application of SC 13.8 Adjustment for Changes in Cost (currently estimated by the Supervising Engineer as 12.6 -20.62 mEUR). As a result, the Application of SC 13.8 Adjustment for Changes in Cost together with other contractual adjustments detailed in Section 2.5.4 above may potentially lead to adjustment of the Accepted Contract Price in 19 mEUR;
- c) Problems in quality in civil works have developed as one of the biggest concerns for the Engineer and Employer.
- d) Seven (7) Contractor's claims remain open and not quantified.
- e) The risk of further escalation of the Contract's costs is relatively high.

2.1.3 - Phase 2, Fushë Kosovë - Mitrovicë Railway Section

2.1.3.1 - Scope of Work (Phase 2)

Phase II of the Project, the section that connects Fushë Kosovë – Mitrovicë, 34,4 km long, is the only operational railway link connecting Kosovo's domestic network to the international network. As such, it carries all import and export rail traffic to and from Kosovo. The line was last overhauled some 30 years ago and has only had routine maintenance for the last twenty years. The Project will secure the long-term future of the line whilst also increasing traffic safety and allowing improvements in the current operating speed.

MAIN FEATURES OF PHASE II WORK CONTRACT

Description	Value
Railway Alignment	34.4 km (main single line) / 9.1 km (stations)
Roads	18 km
Level Crossings	23
Stations	5+1 (Fushe Kosove station is included only with regard to its platforms and buildings; The Infrastructure works of the Fushe Kosove Station are part of "Fushe Kosove – Hani i Elezit" which is being constructed at the moment)
Stops	5
Platforms	16 (new and rehabilitation of existing at Fushe Kosove)
Railway Bridges	17 (new and rehabilitation of existing)
Road Bridges	1
Culverts	40 box culverts & 23 pipe culverts
Retaining walls	3.66 km
Pedestrian Underpasses	4
Buildings	12 (rehabilitation) & 4 (façades rehabilitation only)
Canopies	36 (new) & 12 (rehabilitation, at Fushe Kosove)
Fencing	26.5 km approximately

2.1.3.2 - Key Data of the Work Contract (Phase 2)

2.1.3.2.1 - Original Key Data. Work Contract (Phase 2)

The Key Data of the Work Contract (Phase II) is provided in the Table below

TABLE 2. KEY DATA OF THE WORK CONTRACT (PHASE II)

Description	Data
Employer	INFRAKOS Kosovo Railways Infrastructure
Contractor	Generale Costruzioni Ferroviarie S.p.A.
Engineer	JV Hill International NV and DB Engineering and Consulting GmbH
Construction Contract Agreement signing	08 December 2021

Description	Data
Commencement Date	10 October 2022
Time for Completion (Initial)	455 days
Works' Completion Date (Initial)	08 January 2024
Defects Notification Period (DNP)	365 days
Accepted Contract Amount (ACA)	47,927,505.32 EUR without VAT ³
Provisional Sum for Contingencies	2,271,133.60 EUR

2.1.3.2.2 - Addendums to the Work Contract (Phase 2)

The list of Addendums to the Work Contract (Phase 2) is provided in the Table below.

ADDENDUMS TO THE WORK CONTRACT (PHASE 2)

#	Title	Bank's no objection	Signed
Add.1	Adjustment for Changes in Costs (SC 13.8) Commencement Date on 10 October 2022 Withdrawal of the termination notices	Received on 15-12-2022	19-12-2022

2.1.3.2.3 - Variation orders

No variation orders have been issued.

2.1.3.3 - Works Contract Progress (Phase 2)

STATUS OF WORK CONTRACT (PHASE 2)

Type of work	Progress of work
Survey Works	The Contractor performed restoration activities for damaged Benchmarks in segments 3, 4, 12, 13, 14, 16, 17, 18, 19, 20, 21, stakeout boundary of the property in segment 3, 4, 6 and in segment 7. Survey works followed all construction activities in segment 3, 4, 5 and 11 for excavation, filling, subgrade filling, protective layer. Survey works followed all construction in segment 4, 5, 7, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28 excavation, filling, subgrade filling, protective filling and retaining Wall 8 Right, Retaining Wall 9 Left and Retaining Wall 7 Right, Platform 1, Platform 2, Platform 3 on Obiliq Station and Platform 2 on Prelluzha Station.
Removal of Existing Ballast	Removal of ballast on segment 3, 4, 6, 7, 8, 9, 10, 13, 22, 23, 24, 25, 26, 27, 28. Old ballast was deposited near the site, to be re-used in the subgrade layer
Top soil excavation, general excavation	The Contractor continued with topsoil excavation, general excavation and excavation of soil improvement in segments 3, 4, 5 and 11, 14, 15, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 28.
Embankment	Material used for embankment construction is QS2. Location of works is CS. 1486 – 1336. The activity on this period about embankment layer was on segments 14, 15, 16, 18, 19, 20, 22, 23, 25, 26, 27.

³ Works Contract is exempted from VAT based on Laws 05/L-072 and 05/L-111

Type of work	Progress of work
Filling of Improvement Layer	Material used for filling of improvement layer is gravel 0-150mm with thickness of 40cm. Location of works is in segment 3, 4, 5, 6, 7, 11, 13, 14, 15, 16, 17, 18, 19, 20, 22, 23, 24, 25, 26, 27, 28.
Subgrade	Where tests on improvement layer passed, Contractor continued with laying of subgrade layer (mixed material old ballast and gravel 0-150 mm). Location of works are in the segment 3, 4, 5, 11, 13, 14, 15, 16, 17, 18, 19, 20, 21, 24.
Demolition of Existing Structures	The Contractor demolished culvert, C30, C29, C28, C24, C51, C52, C53, C56, C58. Further steps taken after the demolition include excavation, additional excavation for soil improvement (40 cm due to poor conditions of natural soil) and filling of soil improvement. The Contractor constructed the reinforcement and concreted: the walls, slab and parapets of box culverts: C56; Building of Inlets of box culvert C47, C43, C58, C59; Outlets C51, C52, C53, C43 concrete cover of hydro insulation for: C56, C57, C58. Plemetin platform was demolished on 27.02.2023. The material was transported to stock area near Plemetin (CS. 1430). Further steps were taken after the demolition including the excavation and filling with subgrade layer and laying of lean concrete. P-02-1-Platform no.1 Obiliq: Partly constructed, manholes excavation works done. P-02-2-Platform no.2 Obiliq: Partly constructed, manholes excavation works done. P-02-3-Platform no.3 Obiliq: Concreting of top slab.
Bridges	Contractor started excavation of Bridge 07 started on 27.02.2023. This structure is totally new. After excavation, the Contractor proceeded with filling with soil improvement and laying of lean concrete. The Contractor constructed the reinforcement and concreted the walls of Bridge 07. The Contractor dismantled Bridges: 05, 08, 10, 11, 12, 12, 13, 16. Body constructed to Bridge 16 During this last period The Contractor also demolished Bridges: Br06, Br08, Br10 and proceeded with the earthworks.
Utilities	Fiber optic cables between profiles 1474 and 1475 was damaged during excavations. The contractor has rehabilitated the cable and protected optic cables. Electrical line 10kV was protected between profiles 1474 and 1475. In Q2, no utilities were found on site.

Ongoing submissions and review for approval of materials. Many materials are not yet submitted for approval. This may cause delays in timely execution of the Work.

2.1.3.3.1 - Accepted Contract Price and Actual Financial Progress. Work Contract (Phase II)

The Accepted Contract Price and Actual Financial Progress are presented below:

FINANCIAL PROGRESS OF WORK CONTRACT (PHASE 2)

WORKS PROGRESS & COSTS ESTIMATES		Updated as of:	30.9.2023	
	CONSTRUCTION / ENGINEERING CONTRACT	Unit	Ph2 Works Contract Contract № 8147446-IFT- 45276/ 08.12.2021	
	CONTRACTOR		GCF	
	INITIAL FINANCIAL PARAMETERS OF CONTRACT			
G1	Contract Price without Contingency	Eur	45 422 672,07	Value of Works
G2	Contingency	Eur	2 271 133,60	
G3	Contingency for VO's	Eur	233 699,65	
G (G1+G2+G3)	Total Accepted Contract Amount	Eur	47 927 505,32	
	CURRENT FINANCIAL PARAMETERS OF CONTRACT			
G1'	Contract Price with Contingency Used	Eur	45 422 672,07	Value of Works
G2'	Remaining Contingency	Eur	2 504 833,25	
G3'	Adjustments for changes in costs to date	Eur	1 463 997,02	
G' = (G1'+G3')	Contract Price with Contingency Used and Adjustments for changes in costs	Eur	46 886 669,09	
	FINANCIAL PROGRESS OF CONTRACT			
K	Amounts Certified for Payment to date	Eur	10 241 556,27	Progress
K1	Total Value of Completed Contract Works	Eur	4 633 978,15	
K2	Paid advance	Eur	4 792 750,53	
K3	Materials on site	Eur	474 191,75	
K4	Variation orders carrying adjustments for changes in costs	Eur	-	
K5	Variation orders not carrying adjustments for changes in costs	Eur	-	
K6	Retained money (5%)	Eur	286 779,25	
K7	Advance payment repayment	Eur	-	
K8	Adjustments for changes in costs	Eur	1 463 997,02	
K9	Provisional sum for DAB	Eur	-	
K10	Application of SC 14.6	Eur	362 390,18	
K11	Delayed Payment financing charges	Eur	-	
K12	Progress: % of Current Contract Price without Adjustments	%	21,55%	
P2=K/G	Progress: % of the Accepted Contract Amount after Adjustments	%	21,37%	
M	Time Elapsed	days	355	
N=M/D'	% of elapsed Current Time for Completion	%	78,02%	

2.1.3.3.2 - Interim Payment Certificates (IPCs). Work Contract (Phase 2)

IPC-0 for the Advance Payment was issued on 24/01/2022 for an amount of 4,792,750.53 €. The Contractor received Advance Payment on 20.05.2022.

Current financial absorption of the Project is 21,37% (€ 10,241,556.27 €)

Interim Payment Certificate IPC-01 for Works up to 28 February 2023 was certified on 12.04.2023 for a payable amount of 1.071.234,01 € and payment was received on 27.04.2023.

Interim Payment Certificate IPC-02 for Works up to 31 March 2023 was certified on 17.05.2023 for a payable amount of 581.518,60 € and payment was made on time.

Interim Payment Certificate IPC-03 for Works up to 30 April 2023 was certified on 19.06.2023 for a payable amount of 615.172,44 € and payment was made on time.

Claimed amount in Interim Payment Application IPA-04 for Works up to 31 May 2023 is 1.530.508,10 €. After evaluation Interim Payment Certificate IPC-04 for Works up to 31.05.2023 was certified on 02.08.2023 for a payable amount of 1.405.766,38 € and payment was made on time.

Claimed amount in Interim Payment Application IPA-05 for Works up to 31.07.2023 is 1.875.540,12 €. After evaluation Interim Payment Certificate IPC-05 for Works up to 31.07.2023 was certified on 22.09.2023 for a payable amount of 1.775.114,31 € and payment is due on 24.10.2023.

All disbursements under the Phase 2 Works Contract are presented below:

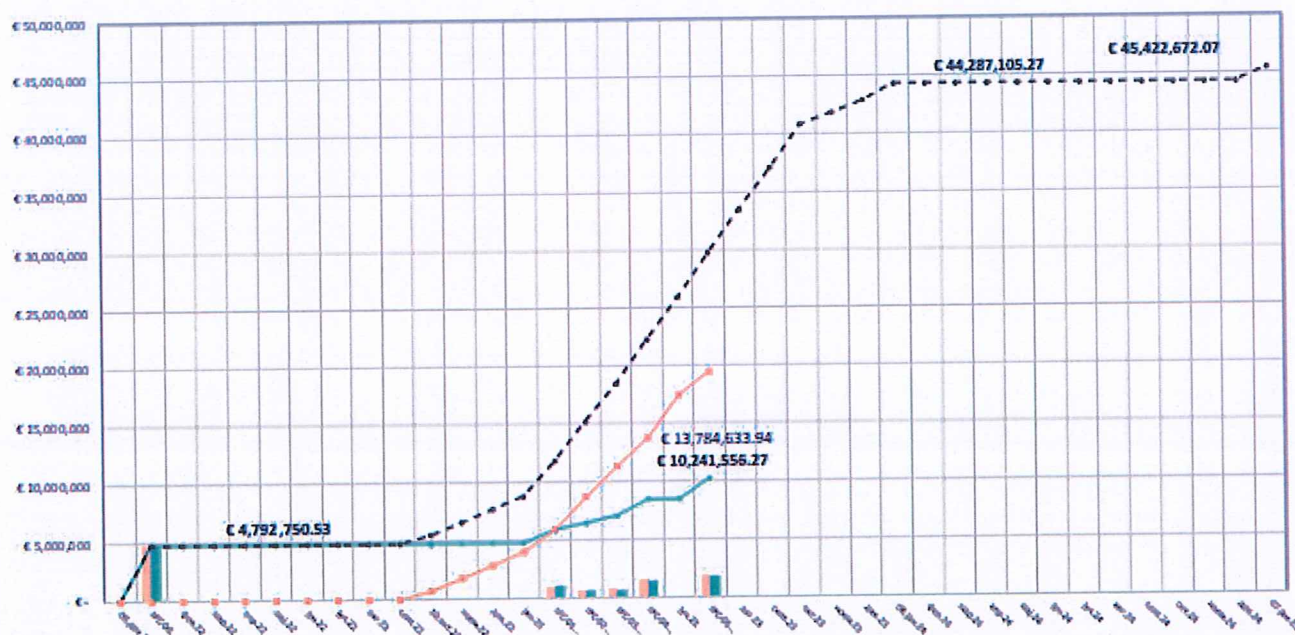
DISBURSMENTS – PHASE 2 WORKS CONTRACT

Phase 2								
Payment Ref.	Certified amount	Cumulative	EBRD	Grant	EIB	Payment due date	EBRD DPD Request Nr.	Grant Disbursement request nr.
IPC-0	4 792 750,53	4 792 750,53	4 792 750,53			20.5.2022	16	
IPC 1	1 071 234,01	5 863 984,54			1 071 234,01	5.10.2023		
IPC 2	581 518,60	6 445 503,14			581 518,60	20.6.2023		
IPC 3	615 172,44	7 060 675,58			615 172,44	17.7.2023		
IPC 4	1 405 766,38	8 466 441,96			1 405 766,38	21.8.2023		
IPC 5	1 775 114,31	10 241 556,27			1 775 114,31	24.10.2023		
Total:	10 241 556,27		4 792 750,53	-	5 448 805,74			
% from paid/certified amount			47%	0%	53%			

2.1.3.3.3 - Planned VS Actual Financial Progress. Work Contract (Phase II)

The planned vs. achieved financial progress is presented below:

FIGURE 3. FINANCIAL PROGRESS OF WORK CONTRACT (PHASE II)



2.1.3.3.4 - Adjusted Contract Price. Work Contract (Phase 2)

As of the end date of the reporting period, the Accepted Contract Price has been adjusted due to the application of SC 13.8 Adjustments for changes in costs.

ADJUSTED CONTRACT PRICE. WORK CONTRACT (PHASE 2)

WORKS PROGRESS & COSTS ESTIMATES		Updated as of:	30.9.2023
	CONSTRUCTION / ENGINEERING CONTRACT	Unit	Ph2 Works Contract Contract № 8147446-IFT- 45276/ 08.12.2021
	CONTRACTOR		GCF
	ADJUSTMENT TO CONTRACT VALUE TO DATE		
S1	Approved estimated cost of contingency	Eur	-
S2	Adjustments for changes in costs	Eur	1 463 997,02
S3	Remaining Provisional sum for Contingency	Eur	2 504 833,25
S4	Delayed Payment financing charges	Eur	-
P2=S2/G2	% of remaining contingency from the Contract provisional sum, excluding Adjustments for changes in costs	%	100%
P3=S3-S2+S4	Current shortage/availability of contingency funds, considering paid adjustments for changes in costs	Eur	1 040 836,23
S=S1+S2+S4	Total approved/certified to date	Eur	1 463 997,02

Due to the considerable increase of the Construction Cost Index (CCI) issued by the Kosovo Agency for Statistics for Q2 of 2023, the current adjustment multiplier is 1.3152 or 31.52%.

As per IPC-05, the cost of price adjustment is at € 1 463 997,02.

CCI reached 142,2 in Q3 of 2022. The trend for the CCI is for it to shift slightly downwards, as registered for Q4 of 2022 (141,3) and Q1 (139,5) and Q2 (139,4) for 2023. The current estimation of the total amount that will be needed to cover price adjustment costs is circa 14,3 mEUR if the current CCI rate maintains without significant shifts.

2.1.3.3.5 - Anticipated Adjustments of the Contract Price. Work Contract (Phase 2)

The tentative forecast of the Final Contract Price is presented below.

FORECASTED FINAL CONTRACT PRICE. WORK CONTRACT (PHASE 2)

WORKS PROGRESS & COSTS ESTIMATES		Updated as of:	30.9.2023
	CONSTRUCTION / ENGINEERING CONTRACT	Unit	Ph2 Works Contract Contract № 8147446-IFT- 45276/ 08.12.2021
	CONTRACTOR		GCF
	ESTIMATED COST OF EXPECTED VARIATIONS		
T1	Unforeseen costs and Price adjustments (CCI Increase)	Eur	12 856 596,32
T2	Corrections for cancelled/replacement activities	Eur	-
T3	Claimed amounts under SC 20.1 with open status	Eur	-
T4	Estimated VO's	Eur	-
T	Total estimated to date	Eur	12 856 596,32
P3=(S+T)/G2	Estimated total % of contingency needed	%	31,53%
P3'=G1+S+T-G	Estimated costs beyond the Accepted Contract Amount		11 815 760,09
V=G1+S	CURRENT CONTRACT VALUE, VARIATIONS AND PRICE ADJUSTMENT TO DATE INCLUDED	EUR	46 886 669,09
	Current Contract Value without Price Adjustment	EUR	45 422 672,07
	ESTIMATED CONTRACT VALUE, VARIATIONS AND PRICE ADJUSTMENT INCLUDED	EUR	58 279 268,39

The currently anticipated cost, exceeding the Accepted Contract Amount due to the considerable increase of the CPI is near 12 mEUR, assuming that the average CCI to be applied to the remaining price adjustable non-certified BoQ items does not exceed 1,32 or 32%.

2.1.3.4 - Time. Work Contract (Phase 2)

2.1.3.4.1 - Programme of Work. Work Contract (Phase 1)

No baseline PoW has been approved.

The Contractor has not submitted an updated PoW with his MPR for Augst 23.

The Engineer has instructed the Contractor on 25.08.2023 to submit, under Sub-Clause 8.3 [Programme], a revised programme and supporting report, describing the revised methods which the Contractor proposes to adopt in order to expedite progress and complete within the Time for Completion.

Submission is still pending.

Considering that the

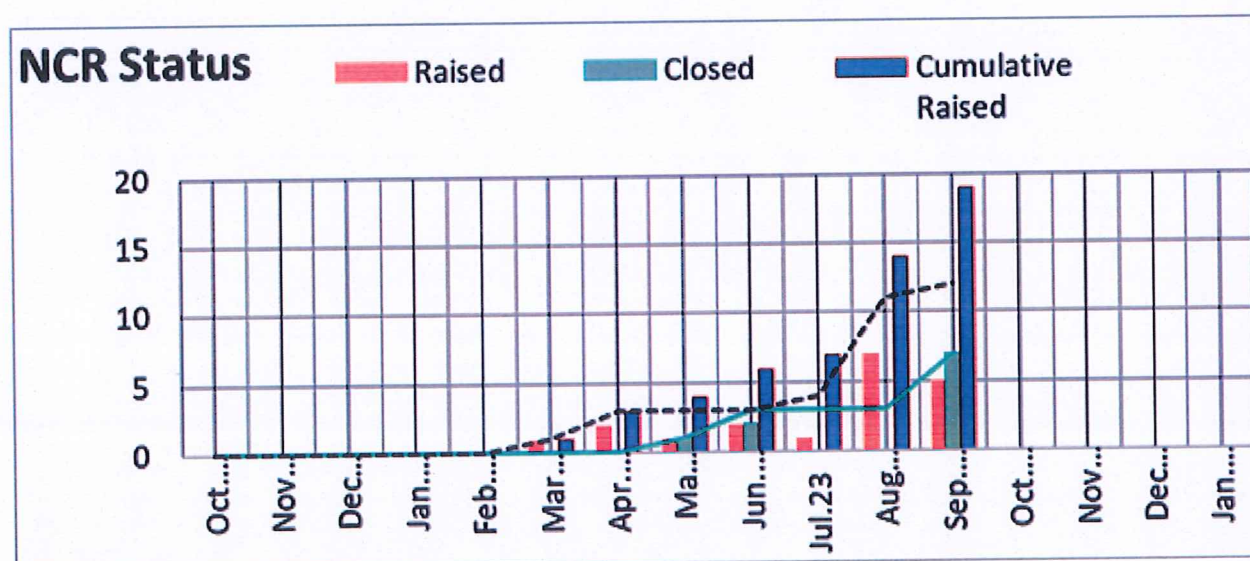
2.1.3.5 - Quality. Work Contract (Phase 2)

2.1.3.5.1 - Non-Conformity Reports. Work Contract (Phase 2)

Quality Control Plan Rev. 0-6 was conditionally approved on 03.03.2023 with letter P XK-00005.02/EG/0181.

The brief statistic of the issued Non-Conformity Reports (NCRs) extracted from the Engineer's MPR for September 2023 is presented below:

FIGURE 4.NCR. WORK CONTRACT (PHASE I)



2.1.3.5.2 - Notice to Correct. Work Contract (Phase 2)

There are no SC 15.1 [Notice to Correct] open by the Engineer.

2.1.3.5.3 - Contractor's Claims. Work Contract (Phase 2)

There are total of twelve (12) claims open by the Contractor. Most of them are of pending substantiation. No Engineer's determinations have been issued yet.

2.1.3.5.4 - Employer's Claims. Work Contract (Phase 2)

There are no Employer's claims open.

2.1.3.5.5 - Claims and VO's. Work Contract (Phase 2)

During this period the Contractor submitted 9 notices to claims.

2.1.3.6 - Cost. Work Contract (Phase 2)

2.1.3.6.1 - Accepted Contract Price and Actual Financial Progress. Work Contract (Phase 2)

The Accepted Contract Price and Actual Financial Progress are presented below:

FINANCIAL PROGRESS OF WORK CONTRACT (PHASE 2)

WORKS PROGRESS & COSTS ESTIMATES		Updated as of:	30.9.2023	
	CONSTRUCTION / ENGINEERING CONTRACT	Unit	Ph2 Works Contract Contract № 8147446-IFT- 45276/ 08.12.2021	
	CONTRACTOR		GCF	
	INITIAL FINANCIAL PARAMETERS OF CONTRACT			
G1	Contract Price without Contingency	Eur	45 422 672,07	Value of Works
G2	Contingency	Eur	2 271 133,60	
G3	Contingency for VO's	Eur	233 699,65	
G (G1+G2+G3)	Total Accepted Contract Amount	Eur	47 927 505,32	
	CURRENT FINANCIAL PARAMETERS OF CONTRACT			
G1'	Contract Price with Contingency Used	Eur	45 422 672,07	Value of Works
G2'	Remaining Contingency	Eur	2 504 833,25	
G3'	Adjustments for changes in costs to date	Eur	1 463 997,02	
G' = (G1'+G3')	Contract Price with Contingency Used and Adjustments for changes in costs	Eur	46 886 669,09	
	FINANCIAL PROGRESS OF CONTRACT			
K	Amounts Certified for Payment to date	Eur	10 241 556,27	Progress
K1	Total Value of Completed Contract Works	Eur	4 633 978,15	
K2	Paid advance	Eur	4 792 750,53	
K3	Materials on site	Eur	474 191,75	
K4	Variation orders carrying adjustments for changes in costs	Eur	-	
K5	Variation orders not carrying adjustments for changes in costs	Eur	-	
K6	Retained money (5%)	Eur	286 779,25	
K7	Advance payment repayment	Eur	-	
K8	Adjustments for changes in costs	Eur	1 463 997,02	
K9	Provisional sum for DAB	Eur	-	
K10	Application of SC 14.6	Eur	362 390,18	
K11	Delayed Payment financing charges	Eur	-	
K12	Progress: % of Current Contract Price without Adjustments	%	21,55%	
P2=K/G	Progress: % of the Accepted Contract Amount after Adjustments	%	21,37%	
M	Time Elapsed	days	355	
N=M/D'	% of elapsed Current Time for Completion	%	78,02%	

2.1.3.7 - OHS Issues. Work Contract (Phase 2)

The Contractor has submitted the fourth revision of the Occupational Health and Safety Plan, which was accepted as noted.

The Engineer re-raises the issue of missing training evidence in the reports submitted by the Contractor.

Traffic Management Plan has been submitted on 03rd April 2023 by the Contractor and the same was answered by the Engineer with remarks on 27th April 2023. This Plan must be prepared in coordination and cooperation with the Client and local Traffic Police. The same must define and implement measures to reduce accidents at crossings, particularly communities with high-risk crossings, informal crossings, etc. During May 2023 Traffic Management Plan has not been resubmitted by the Contractor.

Community Health and Safety Plan must be prepared and submitted by the Contractor, where it will identify potential threats for the local community and accordingly propose and undertake appropriate mitigation measures during construction.

During site inspections, the Engineer's team noticed that in some cases workers did not use PPE, and sites were missing H&S signs or information boards. Written remarks for H&S matters have been included in the letter PXK-00005.02/ED/0186 and PXK-00005.02/ED/0192 during previous reporting period and during this period of April 2023 similar remarks have been sent through letters PXK-00005.02/ED/0237.

No incidents or near-miss incidents to reported.

2.1.3.8 - Environmental and Social Issues. Work Contract (Phase 2)

During the reporting period, the following findings have been raised:

Plans/documentation: The Contractor has an obligation to prepare the following plans and documentation: Environmental Management Plan, Organizational Health and Safety Plan, Traffic Management Plan, Procedure for reception, transport and storage of hazardous waste, Workers Grievance Mechanism, Supply Chain Register, Dust Management Plan, Noise Protection Study, Water Management Plan, Waste Management Plan and Community Health and Safety Plan.

The Contractor has prepared Environmental Management Plan. The fourth revision of the Plan was answered by the Engineer on 13 June 2023 with related remarks. Waste Management Plan Rev.03 was re - submitted by the Contractor on 07.09.2023 and it was conditionally approved with some comments on 27.09.2023.

Water and Rivers Crossing Management Plan (1st issue) was submitted on 25th May 2023. The first review was issued on 15.07.2023 while the Engineer gave comments on 14.08.2023.

During this reporting period May 2023 was carried out EBRD monitoring visit which started with joint meeting between EBRD, Employer and Engineer held on 15th May 2023 and followed next day 16th May 2023 by Joint Site visit including representatives of the Contractor. Site visit was carried out at Obiliq Station. On 17th May 2023 was held closing meeting with recommendations for Employer, Engineer and Contractor.

Personnel: By the end of September 2023 Contractor has nominated Environmental Officer and Waste Manager and has not yet nominated the Resettlement Liaison Officer.

Trainings: Contractor must organize regular Environmental and Social Trainings as planned by EMP and must keep records of those Trainings and submit to the Engineer and Client upon request. Until end of September 2023 evidence of E&S Trainings has not been submitted by the Contractor. Training should have been organized prior to start the activities on Site.

Waste management: The Contractor must sign contracts with licensed waste management companies for each type of waste generated on sites (non-hazardous and hazardous waste). Contracts must be prepared with all municipalities where the railway line passes and where the station buildings are located, for collection of communal waste and disposal of construction waste. To the last Contractor's Monthly Progress Report No.06 have been included Agreements with waste management companies as follows:

Sub – contractor "G3 Inxhiniering" SH.P.K. with KRM "Uniteti" for construction waste, operating in Mitrovica Municipality.

Sub – contractor "R & Rukolli" SH.P.K. with Tekno – Konstrukt SH.P.K. for construction waste.

Sub – contractor "R & Rukolli" SH.P.K. with KRM "PASTRIMI" operating at Obiliq Municipality for domestic waste.

Preparation and submission of these contracts by the Contractor is considered as an improvement toward fulfilling his obligations.

In the third review dated 27.09.2023 letter PXK-00005.02/MA/0471 the Engineer gave comments regarding WMP.

Water and waste water: The Contractor has not provided permits for performance of construction activities near/within water body as well as for water use for technical purposes. It is recommended the procedure for their obtaining to start immediately. In addition, the Contractor should provide permits for discharging of waste water generated on the site. Before discharging of waste water the same should be treated.

Grievances: This Mechanism must be established and boxes where could be placed complaints from the Community/Public must be also placed on the visible part of the Site. One grievance box has been placed at Obiliq Station during this reporting period but was not labeled if it is for workers or community. During the reporting period there is no evidence of any submitted public grievance.

Labour and Working conditions: Contractor must keep workers records (evidence) for each person engaged in project realization, whether it comes from the Contractor or other subcontractor. Worker's evidence should include contract, signed code of conduct, and other evidence set in laws that regulate the working relationship. Until now Contractor did not submit list of the workers..

Illegal level crossings: The Client and Contractor will have to organize Awareness raising programme-Implement a trackside and level crossing public safety awareness raising programme in consultation with other key stakeholders (police, schools, Authorities), in order to be avoided possible accidents.

Dirty and damaged roads: For dirty road at Plemetin area remarks have been sent to the Contractor through letter. It is recommended the Contractor to act as soon as possible according obtained remarks and to maintain the roads in a good condition.

Locations of storages for waste and new material: In the third revision of WMP regarding the temporary storage of waste it was requested by the Engineer to point out and present on a map the temporary storage locations with specific emphasis on hazardous waste.

Resettlement: In Station Buildings, particularly in Obiliq, Prelluzhe and Mitrovica currently live families which rent the buildings, while in Fushe Kosove Station are based some private businesses which also rent parts of the building. As a result of project activities they may be affected. The Resettlement action plan will be prepared by Infracos.

Permits: Permission for demolition of buildings as well as their reconstruction are not provided. It is recommended the PIU to take into consideration the Law on construction 04/L-110 (CHAPTER VI CONSTRUCTION PERMIT) and to provide all required permits. Contractor must obtain Water Permit for working in the vicinity and in the watercourses as per requirements of Book 14. This permit is ministerial level permit and must be calculated time to obtain it, therefore the application must be done in due time

Requirements for Materials: The Contractor/Subcontractors which produces material that will be used for rehabilitation of the railway has to possess IPPC-Integrated Pollution Prevention and Control Permit or environmental permits for performance of the works.

2.1.3.9 - Key Issues. Work Contract (Phase 2)

The following key risks that have a high probability and high impact on the completion of the Contract:

Contractor's Risks:

- a) Slow rate of progress - At the end of the reporting period, the financial progress is only around 21.37%, whilst the 78.02 % of the Time for Completion is absorbed. Absence of the PoW that reasonably demonstrates the Contractor's ability to complete the Works within the Time for Completion supported by evidence of mobilization the sufficient resources raises serious concerns about the ability of the Contractor to finish the Works within the available time;
- b) Poor mobilization of the Contractor. Lack of qualified personnel and equipment of the Contractor according his offer.

Employer's Risks:

- a) Quality of the Employer's Design;
- b) Unforeseeable Physical Conditions that were not properly identified in the Design;
- c) Delay in giving the access to the whole Site;
- d) Delay in payments;

- e) Unsecured financial resources related to the increased project cost; The initial contract price has a strong tendency to overrun, that mainly explained by the significant escalation of the Construction Cost Index and application of SC 13.8 Adjustment for Changes in Cost. As a result, the Application of SC 13.8 Adjustment for Changes in Cost may potentially lead to adjustment of the Accepted Contract Price in 12 mEUR;
- f) The risk of further escalation of the Contract's costs is relatively high.

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

2.2.1.1 - Scope of Work (S&T Phase 1 and Phase 2)

Rehabilitation (Signaling & Telecommunication Works) of the Southern Part of Railway Route 10, Section "Hani i Elezit – Mitrovice" from km 313+711 to km 212+004.

2.2.1.2 - Actual Status (S&T Phase 1 and Phase 2)

The tender documents for S&T Works for Phases I and II were drafted in June 2022.

The set of tender documents and Notice of Tender were submitted to the EBRD for review and No-Objection in November and December 2022.

Due to unsecured funds, the Tender is not yet launched.

No changes occurred since the previous reporting period.

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

Regarding the Technical assistance for preparation of the Detailed Design and Tender Dossier for Phase 3 - Mitrovicë/Mitrovica - Border with Serbia (Leshak station) detailed design for the Mitrovica-Leshak railway line funded by WBIF Grant (WB15-KOS-TRA-01) progress is as follows:

IPF9 Inception report is approved.

IPF9 has not been able to mobilize the team due to the situation in the north of Kosovo during the last months, even though all the necessary approvals were in place. After discussing these difficulties between IPF9 and the IFI Leader (EBRD) and DG NEAR, as well as taking into account the fact that IPF9 is very close to completion, it has been decided that this Technical Assistance will be reassigned to the IPF11 Consortium.

IPF11 has the time and budget needed to complete the full scope without having to split the project into two Phases (Phases A and B).

IPF9 has been in contact with IPF11 and provided them with all the necessary information/documentation to make this transition as smooth as possible.

It should also be noted that Panos Pikrodimitris, who is currently the Chief Transport Expert at IPF11, was the project manager for the initial phase of this project under IPF9, so there is already knowledge transfer to IPF11. During the initial period, IPF9 received from INFRAKOS several documents (hard copy designs). Infrakos have advised IPF9 to give these documents directly to IPF11. However, we feel that this is the best way to efficiently achieve the objectives of the ToR.

The Methodology Proposal for the WB15-KOS-TRA-01 after accommodating the comments from EBRD – an email sent by Panos P. 13.09.2023, it has received green light (No Objection) from both of the Banks to start the activities. They will mobilise their team and plan a kick-off meeting in early October.

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		Updated as of:	30.9.2023	
	CONSTRUCTION / ENGINEERING CONTRACT	Unit	Ph2 Works Contract Contract No 8147446-IFT- 45276/ 08.12.2021	
	CONTRACTOR		GCF	
	TIME PARAMETERS OF CONTRACT			
A	Commencement date		10.10.2022	Time for Completion
B	Original Time for Completion	days/month	455	
C=A+B	Original Date for Completion		08.01.2024	
D	Extensions of Time for Completion	days	-	
D'	Current Time for Completion	days	455	
E=C+D	Current Date for Completion	days/month	08.01.2024	
F=C+D	Current Projected Date for Completion		08.01.2024	
	INITIAL FINANCIAL PARAMETERS OF CONTRACT			
G1	Contract Price without Contingency	Eur	45 422 672,07	Value of Works
G2	Contingency	Eur	2 271 133,60	
G3	Contingency for VO's	Eur	233 699,65	
G (G1+G2+G3)	Total Accepted Contract Amount	Eur	47 927 505,32	
	CURRENT FINANCIAL PARAMETERS OF CONTRACT			
G1'	Contract Price with Contingency Used	Eur	45 422 672,07	Value of Works
G2'	Remaining Contingency	Eur	2 504 833,25	
G3'	Adjustments for changes in costs to date	Eur	1 463 997,02	
G' = (G1'+G3')	Contract Price with Contingency Used and Adjustments for changes in costs	Eur	46 886 669,09	
	FINANCIAL PROGRESS OF CONTRACT			
K	Amounts Certified for Payment to date	Eur	10 241 556,27	Progress
K1	Total Value of Completed Contract Works	Eur	4 633 978,15	
K2	Paid advance	Eur	4 792 750,53	
K3	Materials on site	Eur	474 191,75	
K4	Variation orders carrying adjustments for changes in costs	Eur	-	
K5	Variation orders not carrying adjustments for changes in costs	Eur	-	
K6	Retained money (5%)	Eur	286 779,25	
K7	Advance payment repayment	Eur	-	
K8	Adjustments for changes in costs	Eur	1 463 997,02	
K9	Provisional sum for DAB	Eur	-	
K10	Application of SC 14.6	Eur	362 390,18	
K11	Delayed Payment financing charges	Eur	-	
K12	Progress: % of Current Contract Price without Adjustments	%	21,55%	Variations
P2=K/G	Progress: % of the Accepted Contract Amount after Adjustments	%	21,37%	
M	Time Elapsed	days	355	
N=M/D'	% of elapsed Current Time for Completion	%	78,02%	
	ADJUSTMENT TO CONTRACT VALUE TO DATE			
S1	Approved estimated cost of contingency	Eur	-	Variations
S2	Adjustments for changes in costs	Eur	1 463 997,02	
S3	Remaining Provisional sum for Contingency	Eur	2 504 833,25	
S4	Delayed Payment financing charges	Eur	-	
P2=S2/G2	% of remaining contingency from the Contract provisional sum, excluding Adjustments for changes in costs	%	100%	Variations
P3=S3-S2+S4	Current shortage/availability of contingency funds, considering paid adjustments for changes in costs	Eur	1 040 836,23	
S=S1+S2+S4	Total approved/certified to date	Eur	1 463 997,02	
	ESTIMATED COST OF EXPECTED VARIATIONS			
T1	Unforeseen costs and Price adjustments (CCI Increase)	Eur	12 856 596,32	Estimated variations
T2	Corrections for cancelled/replacement activities	Eur	-	
T3	Claimed amounts under SC 20.1 with open status	Eur	-	
T4	Estimated VO's	Eur	-	
T	Total estimated to date	Eur	12 856 596,32	
P3=(S+T)/G2	Estimated total % of contingency needed	%	31,53%	
P3'=G1+S+T-G	Estimated costs beyond the Accepted Contract Amount		11 815 760,09	
V=G1+S	CURRENT CONTRACT VALUE, VARIATIONS AND PRICE ADJUSTMENT TO DATE INCLUDED	EUR	46 886 669,09	
	Current Contract Value without Price Adjustment	EUR	45 422 672,07	
	ESTIMATED CONTRACT VALUE, VARIATIONS AND PRICE ADJUSTMENT INCLUDED	EUR	58 279 268,39	
NOTE:				
	1. Values are without VAT. Reported contracts VAT exempt.			
	2. Ph. 1 - For the estimated Price adjustment costs, the Price Adjustment Multiplier applied to the remaining non-certified contract price is 1,3508 (CCI = 35,08%), considering the latest available CCI index for Q2 of 2023			
	3. Ph. 2 - For the estimated Price adjustment costs, the Price Adjustment Multiplier applied to the remaining non-certified contract price is 1,3152 (CCI = 31,52%), considering the latest available CCI index for Q2 of 2023			
	4. Ph. 1 - Forecast does not consider the possible outcome of the Addendum 4 to Phase 1 Works for re-design of the new steel bridges with reinforced abutment - Contract Variation of Works at the value of up to 8 M€			

4 - VISIBILITY AND COMMUNICATION ACTIVITIES

Project information billboard for Phase 1 has been installed at Fushë Kosovë Station in front of Station and Ferizaj Station.

Project information billboards 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.

No other activities to report.

5 - MONITORING ACTIVITIES

Monitoring performed

Regular monitoring meetings have been conducted between PIU and EBRD and EIB via video conference.

A site visit from EBRD E&S Specialist took place in May 2023.

A site visit from EIB representative has also taken place in June 2023.

The next EBRD site visit is expected to take place before the end of the year.

Further Monitoring Activities

The Phase 1 and Phase 2 Engineer's Monthly Progress Reports are being sent to the IFI's, allowing monitoring of the progress Phase 1 and Phase 2 Works contract status on monthly basis. Infrakos delivers project periodic reports to the IFI's on a three-monthly basis as foreseen in the Project Agreement.

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

6.1 - 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 are being sought in that respect from MoF and IFI's. Ongoing re-evaluation and re-calculation of the Project Funding Gap by the PIU.
- iii. Additional funds of circa 130 mEur are currently estimated to be needed for the execution of the overall project.

6.2 - Phase 1

See Section 3.1.3.9 above and Section A11 in the Engineer's MPRs for September 2023.

6.3 - Phase 2

See Section 3.1.3.9 above. Ongoing specific project risk identification and assessment.

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

7.1 - Employer and PIU

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.

Head of PIU

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

7.2 - PIU Consultant

Team Leader of the PIU Consultant

Mr. Roger Ribeiro has been approved by the PIU and the EBRD as the new Team Leader of Egis.

7.3 - Engineer (Phase 1)

Replacement of Environmental Expert and Quantity Surveyor due to changes in Hill Organization are approved by the Banks.

7.4 - Engineer (Phase 2)

Replacement of Resident Engineer/Team Leader was approved by both Banks. Mr. Florin Cojocariu was mobilized as Resident Engineer/Team Leader starting from 02 May 2023

Replacement of Environmental Expert and Quantity Surveyor due to changes in Hill Organization were approved by the Banks.

7.5 - Contractor (Phase 1)

No changes.

7.6 - Contractor (Phase 2)

No changes.

8 - 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 effect of the coronavirus pandemic and the war in Ukraine (potentially other ongoing conflicts) 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.
- Phase 1 - Costs of design for 13 new steel bridges and cost of the resultant additional work will have to be justified by the Contractor.
- 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 Addendum to the Phase 2 Supervision Contract to regulate needed Engineer's team inputs to cover fully the new Time for completion of the Works Contract.
- Necessary additional funds to cover the overall project cost increase (refer to Annex 1).
- Delay of procurement procedures for actions for which there are no sufficient funds secured.

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

9.1 - 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 repers, 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, i.e. 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

VO or Amendment no.	Date(s)	Description	Reason	Status	Amount
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	Approved/Instructed	1,478,411.00

VO or Amendment no.	Date(s)	Description	Reason	Status	Amount
			and adjust the Provisional Sums of the Contract. This is a negative VO.		
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	Approved/Instructed	169,332.40

VO or Amendment no.	Date(s)	Description	Reason	Status	Amount
			track in curves with less than 250 m radius.		
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
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	Approved/Instructed	506,351.98

VO or Amendment no.	Date(s)	Description	Reason	Status	Amount
			foundation. This VO will be paid as a Lump Sum item.		
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.	Approved/Instructed	2,947,846.30

VO or Amendment no.	Date(s)	Description	Reason	Status	Amount
			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 € .		
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	30,000.00
			Addendum Nr. 4		
22	12-07-23	Cancellation of VO-12 and VO-13	Cancellation of VO-12 and VO-13 due to new scope for Steel Bridges as per Add.4	In progress	-240,439.04
23	N/A	Bridges Contractor's Design	For the redesign of the new steel bridges with reinforced abutments as per Add.4	In progress	500,000.00
				TOTAL SUMS	3,108,005.18

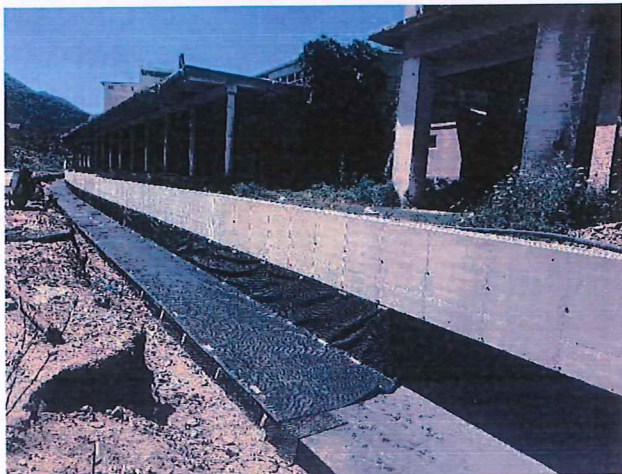
9.2 - Variation orders under the Phase 2 Works Contract

No instructed changes to report.

10 - PICTURES RELATED TO Q3 2023

PHASE 1

Constructed wall RW_34 Right



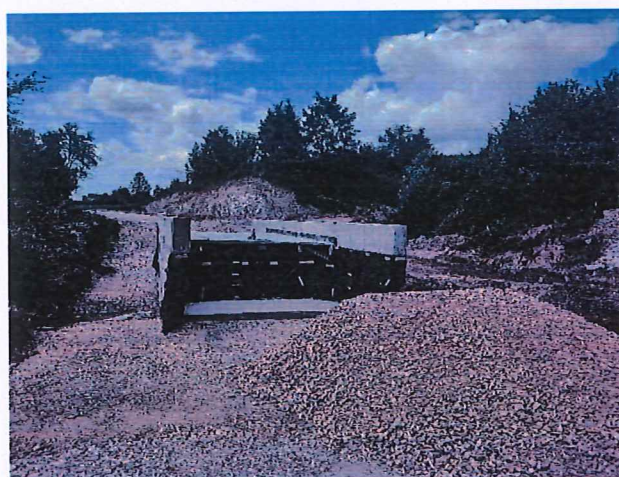
Assembly and mounting of turnout



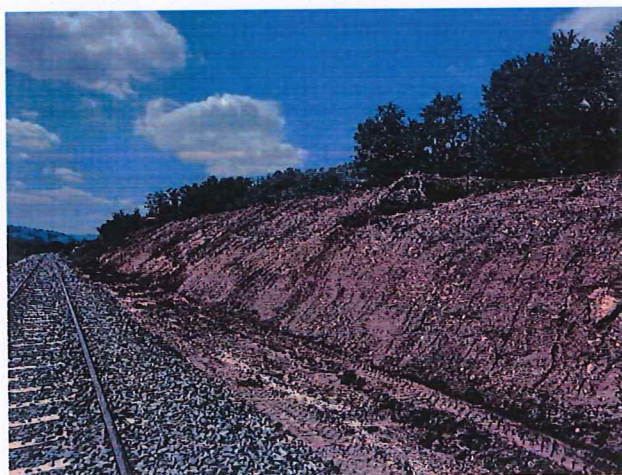
Waterstop on wall RW_34 Right Kacanik



Constructed Bridge



Excavation of the slopes

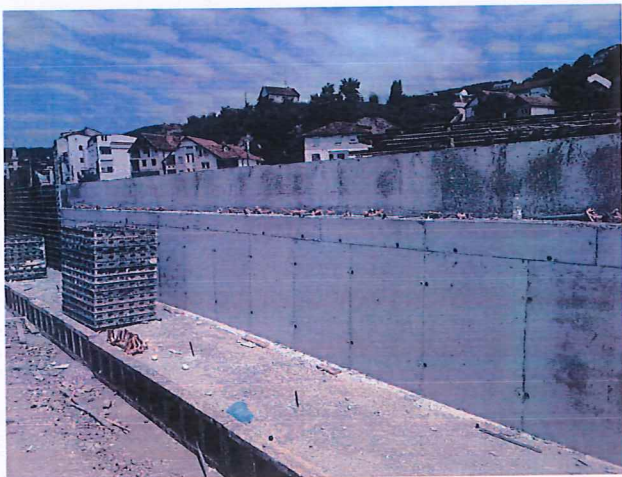


Installation of reinforcement RW_36 Right



Constructed wall RW_31 Left

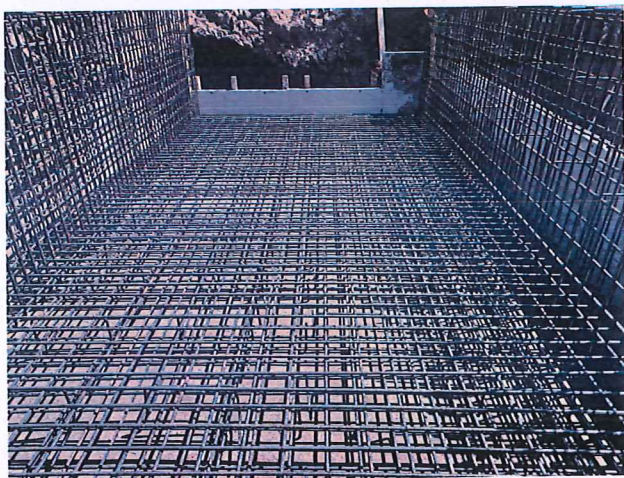
Constructed Culvert C076



Installation of reinforcement in culvert



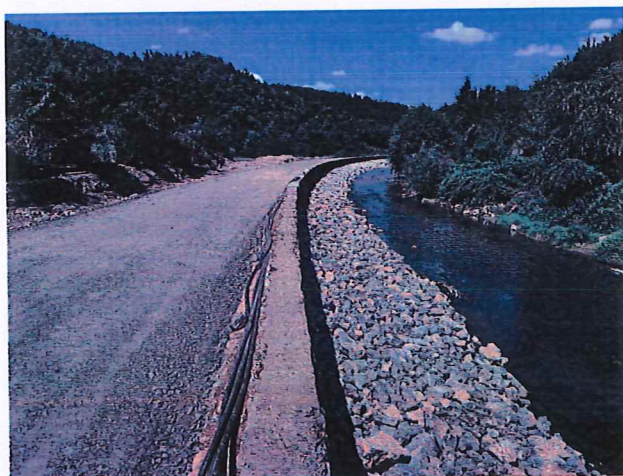
Construction of the line in Kacanik Station



Construction of Rip Rap before T2



Installation of reinforcement in Platform



Tunne T7



Constructed wall above the piles



Installation of reinforcement in invert of T6



Construction of the lines in Kacanik Station



Geotextile under the rip rap before T1



Installation of membrane in seg.36 & 37



PHASE 2

Removal of existing Ballast

The Contractor performed works for the removal of ballast on segments 29, 30, 31, 35. Old ballast was deposited near the site, to be re-used in the subgrade layer.

Seg. 30



Seg. 35



Topsoil excavation, general excavation and excavation of soil improvement

The Contractor continued with topsoil excavation, general excavation and excavation of soil improvement in segments 29, 30, 31.

Seg. 29



Seg. 30



Filling of improvement layer

Material used for filling of improvement layer is gravel 0-150 mm with thickness of 40 cm. Location of works are in the segment: 5 at CS: 1486-1495.

Seg. 5



Seg. 5



Subgrade

Where tests on improvement layer passed, Contractor continued with laying of subgrade layer (mixed material old ballast and gravel 0-150 mm). Location of works are in the segment: 23, 25, 26, 27, 28.

Seg. 28



Seg. 26



Protective Layer

- The material for the protection layer (sub-ballast) is 0.63 mm and thickness for this layer is 0.20 m. Location of works are in segment 5, CS: 1486- 1496.
- Seg. 5



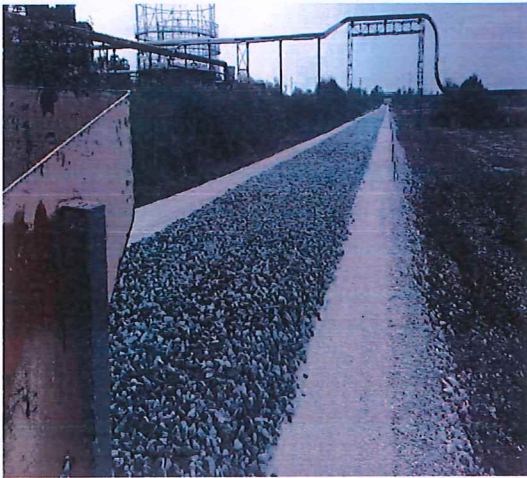
Upper-protective Layer

- The material for the upper-protection layer is 0.31 mm and thickness for this layer is 0.10 m. Location of works are in segment: 3, 4 and 5,6 ongoing.
- Seg. 3
- Seg. 6



Laying of Ballast Layer

- Laying of ballast layer at Segment 3 and 4.
- Seg. 3



- Seg. 4



New pre-stressed concrete Sleepers B70

- The Contractor delivered on site in stock area in Prelluzha Station New pre-stressed concrete Sleepers B70 (2,60m) with fastening system installed.



Bridge 07



Culvert C53



Underpass 20- Obiliq Station



Platform no.2- Obiliq Station

