



Број ; 01-0308/15  
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## **REPORT ON THE IMPLEMENTATION OF THE BRČKO BYPASS PROJECT IN THE PERIOD FROM 2011 UNTIL THE END OF 2014**

The following entities were involved in the implementation of the Brčko Bypass Project: Department of Public Works, Department for Spatial Planning and Real Property Affairs, Directorate of Finance of the Brčko District of Bosnia and Herzegovina and the Public Company "Putevi Brčko" d.o.o. Brčko District of B&H. We submit individual reports as follows.

### **1. DEPARTMENT OF PUBLIC WORKS**

The main objective of the construction of the bypass around Brčko is the realization of the Strategy of Development of the Brčko District of B&H and redirecting transit traffic away from the M 14.1 highway and town center.

The route of the bypass was defined in 2003, and its position is southeast of the town on elevated terrain in relation to the Sava River. The bypass has a total length of 18.68 km and passes through settlements Grbavica, Gredice, Brezik, Donji Rahi, a avac, Omerbegova a, Poto ari, Gorice and Brod. In a cross section it consists of two traffic lanes 10.70 m wide. The planned route of the motorway and bypass, according to the adopted Spatial Plan of Brčko District of B&H, coincide for part of their length of approximately 14 km.

The bypass will be constructed on the basis of spatial planning documentation and the main design, so that during the construction of the highway it can be widened and in that way fit into the alignment.

The Five Year Development Plan of Brčko District of B&H 2003 - 2007 foresees construction of the bypass as one of the priority capital projects in the Brčko District of B&H. In 2003 a study for the selection of the bypass alignment around Brčko was made. Presentations were made to the Government of Brčko District and OHR who had certain remarks and suggestions which were adopted by the holder of the preliminary design development. The Preliminary Design and Feasibility Study were made in 2004, and their presentation was done for the members of the Government, MPs, OHR representatives and citizens of the Brčko District of B&H. The Environmental Impact Assessment of the Bypass was drawn up in 2004 and de-mining of land was completed in 2005. Adopting the BD of B&H Spatial Plan 2007 led to charting the route of the bypass.

The application of the Brčko District of B&H for an EBRD loan approval was submitted in 2010 through the Office of the Brčko District of B&H to the Council of Ministers of Bosnia and Herzegovina.

In early 2011, at a meeting held with the EBRD representatives (hereinafter: the Bank) a need to update the Feasibility Study and Environmental Impact Study was established and a decision to award the contract for supplementing the Studies was passed. In the period May - July 2011, the Br ko District of B&H was visited by the EBRD representatives who inspected the route and further activities were agreed.

The EBRD approved the loan for construction of the Br ko bypass and on November 29, 2011 the Loan Agreement was concluded between B&H, as the borrower, and EBRD for the loan amounting to 28,500,00.00 EUR in accordance with the EBRD Standard Terms and Conditions.

In the Loan Support Agreement, concluded between the BD of B&H and Bank on February 16, 2012, the BD of B&H agreed to provide necessary support to the borrower in accordance with the Agreement conditions, and it resulted in conclusion of the Project Agreement and Sub-loan Agreement. On December 3, 2011 the Public Attorney's Office gave positive opinion about the conclusion of all contracts with the Bank.

The Loan Support Agreement comprises the following provisions:

- a) The BD of B&H shall, unless otherwise agreed by the Bank, provide necessary support and fully cooperate with the borrower in order to enable the borrower to service and pay off the Loan in accordance with its terms and conditions and to fulfill all the terms and conditions from the Loan Agreement and to implement the Project.
- b) The BD of B&H shall, unless otherwise agreed by the Bank:
  1. invest efforts to enable adoption of all laws whose purpose is to give consent for ratification of the Loan Agreement as the borrower's international obligation;
  2. duly fulfill all its obligations in accordance with the subsidiary contract;
  3. not undertake or accept any activity which could result in correction, revocation, cede or renunciation of the subsidiary contract or any of its provisions;
  4. provide that in every fiscal year the incomes, pertaining to the road and highway fees, allocated to the Project Entity are equal to the amount collected by the borrower on behalf of the BD of B&H;
  5. engage consultants with relevant experience and terms of reference acceptable for the Bank to help the BD of B&H in separation of the Sub-department for roads and its becoming an independent legal entity;
  6. until January 1, 2013: (i) complete separation of the Sub-department for roads and its becoming an independent legal entity; (ii) submit evidence to the Bank whose form and content are acceptable for the Bank that the Project Entity is established as an independent legal entity in a lawful manner; (iii) submit to the Bank the Statute of the newly formed Project Entity, whose form and content are acceptable to the Bank, and the laws which make the legal framework for the work of that Project Entity; (iv) encourage the newly formed Project Entity to conclude and deliver the Project Agreement; (v) encourage the newly formed Project Entity to submit to the Bank the opinion of the head of legal department of the Project Entity in relation to the issues which the Bank could reasonably request and which will prove that the Project Agreement is duly approved or ratified, and concluded and delivered on behalf of the newly formed Project Entity and that it represents a valid and legally binding obligation of the newly formed Project Entity enforceable in accordance with its terms and conditions; and (vi) encourage the newly formed Project Entity to fulfill its obligations in accordance with the Project Agreement;
  7. until January 1 2013: (i) conclude and deliver, and encourage the newly formed Project Entity to conclude and deliver Sub-loan Agreement to the Project Entity and encourage fulfillment of all the preconditions preceding the legal validity of the Sub-loan Agreement; (ii) submit to the Bank the Public Attorney's legal opinion about the issues the Bank may reasonably request and which will prove that the Sub-loan Agreement has been duly approved or ratified, and concluded and delivered by the BD of B&H and that it represents a valid and legally binding obligation of the BD of B&H enforceable in accordance with its terms and conditions; (iii) encourage the

Project Entity to deliver to the Bank legal opinion of the head of legal department of the Project Entity in relation to the issues the Bank may reasonably request and which will prove that the Sub-loan Agreement has been duly approved or ratified, and concluded and delivered on behalf of the newly formed Project Entity and that it represents a valid and legally binding obligation of the newly formed Project Entity enforceable in accordance with its conditions; (iv) exercise its rights pursuant to the Sub-loan Agreement in a way which protects the interests of the BD of B&H and Bank to respect provisions of this Contract and to accomplish the goals for which the loan was approved; and (v) not transfer, alter, revoke or renounce any provision from the Sub-loan Agreement;

8. ensure that starting on January 1, 2013 the newly formed Project Entity has sufficient funds to fulfill all of its financial obligations in accordance with the Project Agreement;
9. ensure that the Project Entity has sufficient funds to cover all the Project expenses which cannot be paid from the loan, such as taxes, customs fees and purchase of the land; and
10. ensure that until January 1, 2012 the Project Entity will have prepared and announced tender for multiannual performance based contract(s) on road maintenance.ö

In the subsidiary contract which was, on April 19, 2012, concluded between the borrower, B&H Ministry of Finance and Treasury and Br ko District of B&H, the borrower agreed to put at the BD of B&H disposal loan funds to execute the Project. The BD of B&H assumed the obligations mentioned in the subsidiary contract.

Before and after signing of the Loan contract the Department of Public Works carried out the following activities:

- 1) preparation activities for passing the Decision on establishing public interest for construction of the Br ko bypass pursuant to the Decision on location requirements, dated September 16, 2011;
  - 2) forming the Project implementation team for the Br ko bypass project;
  - 3) procurement of services for development of the main design;
  - 4) procurement of road maintenance works based on performance;
  - 5) establishment of an independent legal entity to repay the loan and be holder of the execution of works and withdrawal of funds for payment of the executed works;
  - 6) transfer of a part of personnel from the Department of Public Works to the Public Company öPutevi Br koö d.o.o. BD B&H;
  - 7) starting on January 1, 2014, assigning rights and obligations upon conclusion of the Framework agreement for performance based road maintenance in 2014, 2015 and 2016;
  - 8) selection of bypass construction supervisory body in accordance with the tender announced by the Bank.
- 1) In the Decision on indebtedness of BD of B&H, no. 01-02-488/11, dated December 7, 2011, the BD of B&H was approved to become indebted for construction of the Br ko bypass in the amount of 28,500,000.00 EUR. On January 18, 2012, the BD Assembly passed Decision on establishing public interest for construction of the bypass. The Decision encompassed data about construction of the bypass on 541 land plot out of which 432 land plots were owned by private and legal persons. On February 6, 2012, the Public Attorney's Office submitted to the Department for Spatial Planning and Real Property Relations a proposal for complete expropriation of real estates. On the road alignment in the cadastral boroughs of Gorice, Poto ari, Omerbegova a, Grbavica, Gređice and Brezik residential, auxiliary and business structures were located and together with the land plots they were the subject of the expropriation.

The public interest for the bypass construction is in accordance with the Law on Expropriation, determined pursuant to the Decision on location requirements, issued on September 16, 2011. After the main design was finalized the expropriation area was widened in order to be able to construct additional structures on the bypass. Therefore, in 2013 and 2014 the competent Department issued supplemental decisions on location requirements and in accordance with supplemental decisions on location requirements the BD Assembly passed a decision to supplement the Decision on establishing public interest.

Pursuant to the mentioned decisions the Public Attorney's Office submitted to the Department for Spatial Planning and Real Property Relations a supplemented proposal for complete expropriation of real estates, no. E-2/12, dated October 2, 2013 and September 22, 2014, for the real estates owned by private or legal persons.

- 2) In accordance with the Loan Support Agreement the Mayor of BD of B&H in Decision no. 02-000546/11, dated March 12, 2012, appointed the Project Implementation Team for the Br ko bypass project. The Government of the BD of B&H in its Decision, no. 02-000021/13, dated January 17, 2013, appointed the second Project Implementation Team. The President of the Project Implementation Team is the Mayor of the BD of B&H.

The task of the Team is to monitor implementation of all obligations in accordance with the concluded contracts and to undertake actions which lead to realization of the Project. Every Wednesday at 13:00 hrs meetings are held in the Mayor's office where the undertaken activities, implementation problems and methods for their resolving within determined deadlines are discussed about which minutes are taken.

The Team has monitored development of the main design, reviewed the Project, expropriation and all the arising problems as well as court proceedings involving expropriation and compensation payments, forming and establishing of the PC "Putevi Br ko" d.o.o. BD B&H, the Bank's tender for supervision of works, development of the tender documentation, and has carried out other activities related to the Project implementation.

At the Team meeting held on July 24, 2014, the Consultant presented the tender documentation for the bypass construction. Representatives of the Consultant team of the firm selected by the Bank were also present. Head of the Department of Public Works made remark about one item in the tender documents relating to unforeseen works worth 1.5 million EUR and it was agreed to remove that item from the tender documentation. Also, the sliding scale of price of works was discussed and according to the Bank's rules it has to be considered when a construction lasts longer than 18 months.

- 3) On April 25, 2011, the Department for Public Works submitted request for instituting a public procurement procedure for construction of the Br ko bypass. On August 2, 2011, the bids were opened. During the procedure complaints were filed by some bidders and the lack of funds for production of the main design was resolved after the budget rebalance.

The service contract for production of the main design of the Br ko bypass was signed on October 11, 2012 with the bidder Consortium "Institut IGHö d.d. Zagreb and "GEOPUTö d.o.o. Banja Luka worth 819,000.00 KM. The designer started working on December 6, 2012 and the deadline was 7 months and 15 days. The design was delivered on July 22, 2013.

In the period between July 22, 2013 and December 24, 2013, a public procurement procedure for the review of the main design was conducted. The Consortium of the bidders "Graditeljö d.o.o. Br ko, "ZIB Projektö d.o.o. Br ko and "Planinvestö d.o.o. Br ko was selected and the Consortium was delivered the project documentation on December 24, 2013. Certain corrections were made to the project documentation after the reviewer provided comments and the final positive report of the reviewer was delivered on June 23, 2014.

After the review of the main design, obtaining of all consents in accordance with the decision on location requirements, obtaining land registry excerpts for approx. 500 land plots that were expropriated and became the property of the BD of B&H, the Department of Public Works submitted to the Department of Public Safety request for issuance of the construction permit. On August 19, 2014 a construction permit was issued for the 1<sup>st</sup> bypass phase.

- 4) On the basis of the tender documentation produced by the Bankø consultants a procurement procedure for maintenance of roads in the eastern zone of the BD of B&H was conducted. A contractor was selected to maintain roads based on performance and quantity of executed works for three years. This was one of the Bankø conditions to allocate the funds to the BD of B&H. The new method of road maintenance applied in the European Union has proven to be advantageous in relation to the previous method of maintenance and will be introduced in other BD of B&H zones. Before announcing the tender for road maintenance based on performance the Consultants educated employees who will carry out the job and informed the bidders about the new method of road maintenance.
- 5) , 6), 7) in 2007 the EBRD passed new standard operation requirements related to every client who submits request for a loan approval. The Bank conducted the tender and selected consultants in accordance with its procedures to help the BD of B&H to fulfill standard requirements for establishing an independent legal entity, contracting road maintenance based on good performance, developing the tender documentation for the bypass construction and to help with the procedure for selection of an expert legal person to supervise the works.

One of the Bankø conditions for withdrawal of the loan funds and repayment of the loan is that BD of B&H establishes an independent legal person that will take over obligations provided in concluded contracts from the BD of B&H.

The Consultants drafted the Decision on establishing Public Company õPutevi Br koõ d.o.o. BD B&H and the BD Assembly adopted that Decision on its session held on August 8, 2012. After the adoption of the Decision, the Company was entered in the register of the BD B&H Basic Court on November 15, 2012.

After the mentioned Decision was passed, the Mayor of BD of B&H publicly announced appointment of the Steering Board of the Public Company and the procedure of election of its members was finalized by the Mayorø Decision dated May 8, 2013.

In order to draft the legal framework for establishing the Public Company it was necessary to amend the Law on Public Administration, Law on Roads and Law on Utility Services. The procedure was conducted starting with adoption of guidelines by the Government, drafting sub-draft, conducting consultations and the BD Assembly adopted the amended laws in May 2013 and they were published in the Official Gazette of the BD of B&H, issue no. 9/13.

On June 26, 2013, the BD Assembly passed the Decision on amendments to the Decision on establishing the Public Company. According to this Decision activities of the Public Company are amended and implementation of capital projects remained within the jurisdiction of the Department of Public Works.

The Law on Roads provides that funding of public companies is to be done from the fees paid for annual vehicle registration and excise paid on oil products. From the mentioned funds repayment of loans and road maintenance will be done. According to the Loan Support Agreement signed between the Bank and the Brčko District of Bosnia and Herzegovina, the Brčko District has pledged to provide sufficient funding to the Public Company to perform all of its duties. To this end, the Government of Brčko District of B&H adopted the Decision on the annual fee to be paid when registering vehicles in the Brčko District of B&H, in which it is stated that the fee is to be paid into the account of the Public Company "Putevi Brčko" starting on January 1, 2014.

Since the Company was established, entered into the court register, the Steering board appointed and a number of workers employed it started to work on July 1, 2013. At the proposal of the Department of Public Works, the Government of Brčko District of B&H adopted the Decision on adoption of the Program of allocation of funds in the amount of 360,544.00 KM, which are in the Brčko District Budget planned as subsidies and grants to the Public Company to pay salaries and settle operational costs.

At the end of 2013, a contract was concluded between the Brčko District of B&H and the Public Company according to which rights and obligations from the Framework Agreement were transferred to the Public Company, so that from January 1, 2014 maintenance of roads in the Brčko District of B&H was transferred to the Public Company.

8) Parallel to the mentioned activities carried out by the BD of B&H the Bank announced a public tender for selection of a supervisory body to oversee the construction of the bypass. The Mayor of the BD of B&H formed a Commission which, in accordance with the rules and criteria of the Bank, proposed the selection of the most advantageous contractor to supervise the works. The basic criterion for selection was the most economically advantageous tender. Upon evaluation the top-ranking bidder had 91.41 points and the second-ranking bidder was given 91.20 points. However, the difference in price offered by the first and second ranking bidder was 200,000 EUR which was considerable.

For the mentioned reason the Mayor of the BD of B&H submitted a letter (no: 44-000037/14, dated April 28, 2014) to Mr. Josip Polić, the representative of the Bank, in which he requested the Bank's consent to select the bidder who offered 1,007,000.00 EUR for overseeing the bypass construction works instead of the bidder whose offer amounted 1,199,000.00 EUR.

On July 17, 2014, the Mayor received a letter in which it was stated that changes to the ranking of bids based on the lowest price represented non-compliance with the Bank's rules of procurement due to which the Bank would not be in position to finance the contract.

## 2. DEPARTMENT FOR SPATIAL PLANNING AND REAL PROPERTY AFFAIRS

### a) Report on conducting expropriation of immovable property for the purpose of construction of the Br ko bypass

Pursuant to the Decision of the BD of B&H Assembly, no: 01-02-513/12, dated January 18, 2012, in which the public interest of the BD of B&H for the Br ko bypass construction was established, the Public Attorney's Office of the BD of B&H, the representative of the BD of B&H as an expropriation user, submitted a proposal, no: E-2/12, dated February 6, 2012, for complete expropriation of 432 real estates located within the expropriation zone which covers 9 cadastral boroughs in the BD of B&H.

Acting in accordance with the mentioned proposal the above mentioned Department initiated the procedure for complete expropriation of real estates and established that 27 residential, 3 business and several dozens auxiliary and other structures had been constructed on the real estates proposed for the expropriation.

Since after development of the main design it was concluded that it was not necessary to expropriate 9 land plots together with 5 residential structures and 1 business structure, located in the expropriation zone, the owners of the mentioned structures suggested giving up the expropriation. After the review of the main design, the BD Public Attorney's Office accepted their suggestion and the procedure was suspended.

Acting upon the request of the BD Public Attorney's Office the competent Department expropriated 432 land plots (total area of 728,034 m<sup>2</sup>), 22 residential structures, 2 business structures, 83 auxiliary structures and other facilities. Upon the owners' requests to expropriate the remaining part of their real estates another 64 land plots, which were not covered by the expropriation zone, were expropriated.

Against the passed decisions on expropriation 22 complaints in total were filed. Of the total number of filed complaints 19 complaints were rejected by the second instance body, 2 complaints were accepted and 1 rejected.

Against decisions of the second instance body by which the filed complaints were rejected as ungrounded, total of 10 administrative disputes were initiated before the BD Basic Court. Of the total number of initiated administrative disputes 9 complaints were rejected as ungrounded and only 1 complaint was adopted and the procedure was repeated. The Decision on complete expropriation of real estates was passed and it became final.

In accordance with the Law on expropriation of real estates in the District over 4 million KM was paid as expropriation compensation, almost 1 million KM was paid as compensation for expropriated residential structures. For the expropriated auxiliary facilities, forest trees and other plants over 100,000 KM was paid.

In accordance with the Decision on the procedure and method of determining the amount of compensation for relocation in order to implement the Br ko bypass project, almost 300,000 KM were paid for purchase of another real estates, as moving allowances, compensations for non-residential structures and 2 business structures.

In cases when the owners of expropriated real estates and the BD Public Attorney's Office did not achieve an agreement on the form and amount of expropriation compensation the competent Department acted in accordance with the existing laws and 80 cases were forwarded to the BD Basic Court in order to determine form and amount of compensation in a court procedure.

b) Report on conducting procedure on real property expropriation for the purpose of construction of additional structures on the Br ko bypass

Pursuant to the BD Assembly Decision, no: 01-02-167/13, dated September 11, 2013, in which public interest of the BD B&H for construction of additional structures on the Br ko bypass was expressed, the BD Public Attorney's Office submitted an additional proposal, no: E-2/12, dated October 2, 2013, for complete expropriation of 219 real estates in 9 cadastral boroughs in the BD of B&H.

After development of the main design it was concluded that there was no need to expropriate 38 land plots, mentioned in the supplementary expropriation proposal, in order to construct the additional structures on the Br ko bypass, the owners proposed giving up the expropriation for the mentioned land plots. The BD Public Attorney's Office acted in accordance with the proposal and the expropriation procedure was suspended.

Acting upon the supplementary proposal of the BD Public Attorney's Office, the Department for spatial planning and real property affairs initiated a procedure for complete expropriation and it expropriated 180 land plots (total area 39,094 m<sup>2</sup>) and 16 auxiliary structures. Upon requests of the owners to expropriate the remaining parts of their real estates one more additional land plot was expropriated.

Acting upon the supplementary proposal for complete real estate expropriation the competent Department is supposed to expropriate one more land plot.

In accordance with the Law on Expropriation of Real Estates in the BD of B&H, over 500,00 KM was paid as compensation for the expropriated land plots.

In accordance with the Decision on the procedure and method of determining the amount of compensation for relocation in order to implement the Br ko bypass project, over 5,000 KM was paid as compensation for purchase of another real estate and compensation for non-residential structures.

In cases when the owners of expropriated real estates and the BD Public Attorney's Office did not achieve an agreement on the form and amount of expropriation compensation the competent Department acted in accordance with the existing laws and 20 cases were forwarded to the BD Basic Court in order to decide about the form and amount of compensation in a court procedure.

Hearings are scheduled and held before the competent Department in order to determine the form and amount of compensations pursuant to the decisions passed in relation to the supplemental proposals for the real estate expropriations filed for the purpose of construction of additional structures on the Brčko bypass.

It should be mentioned that the mentioned amounts do not cover the compensations paid for the expropriated real estates in accordance with the decisions passed in the out of court procedures, in the cases when the owners of the expropriated real estates and the Public Attorney's Office, as the representative of the expropriation user, did not come to an agreement about the compensation for the expropriated real estates.

c) Report on execution of the real estate expropriation procedure for the purpose of construction of the additional structures on the Brčko bypass

Pursuant to the BD Assembly Decision, no: 01-02-350/14, dated September 3, 2014, in which public interest of the BD B&H for construction of additional structures on the Brčko bypass was expressed, the BD Public Attorney's Office submitted an additional proposal, no: E-2/12, dated September 22, 2014, for complete expropriation of 42 real estates in 8 cadastral boroughs in the BD of B&H for which the expropriation procedure is pending.

### 3. DIRECTORATE OF FINANCE OF THE BRČKO DISTRICT OF B&H

- **EBRD loan (the Brčko Bypass Project), the loan no. 42473, Loan contract between B&H and EBRD was signed on November 29, 2011**

Indebtedness of the BD of B&H for the Brčko bypass Project amounts 28,500,000.00 EUR.

Conditions of borrowing:

1. bypass construction works ó 27,075,000.00 EUR (to be regulated in a contract with the Bank),
  2. consulting services ó 1,140,000.00 EUR (to be regulated in a contract with the Bank),
  3. one time commission fee ó 285,000.00 EUR;
    - duration and validity of the contract ó September 15, 2026;
    - repayment period ó 15 years;
    - grace period ó 4 years;
    - interest rate ó Euribor 6 Months + 1% margin;
    - commitment fee ó 0.5% on annual basis;
    - repayment ó 24 equal semi-annual installments starting on March 15, 2015.
- **Sub-loan Agreement between the BD of B&H and Public Company "Putevi Brčko" d.o.o. BD B&H was concluded on September 11, 2004.**

#### **SPENT FUNDS FOR THE BYPASS PROJECT as of November 7, 2014**

- procurement of land (expropriation and court procedures) in the amount of 6,177,592.61 KM
- development and revision of the bypass main design in the amount of 973,278.00 KM

**T O T A L for the bypass as of November 7, 2015**

**7,150,870.61 KM**

#### **4. PUBLIC COMPANY "PUTEVI BRČKO" D.O.O. BRČKO DISTRICT B&H**

Public Company JP "Putevi Brčko" Ltd, was founded on the basis of the decision on the establishment of the Public Company on June 26<sup>th</sup>, 2013, and commenced its work on July 1st 2013.

The main function of the Company is the construction of the Brčko bypass, regular maintenance of roads during the summer time, maintenance of roads mobility in winter, to establishment of the system of managing parking areas in town. So far the Company has undertaken coordination activities with the aim of taking over the competencies for summer road maintenance and maintenance of roads mobility in the winter time with the Department of Public Affairs, the Department of Spatial Planning and Real Property Affairs and the Department for Public Safety, in order to provide an approval for construction of the bypass, and in relation to it for the issues of expropriation.

The Contract on loan support for construction of the bypass was signed by Brčko District and the European Bank for Reconstruction and Development (EBRD) in which the Company is a project entity, which means that the Company, as the investor, will manage the construction and supervision of the Brčko bypass. In the period from its foundation until today JP "Putevi" has signed the Project Agreement with the European Bank for Reconstruction and Development on November 12<sup>th</sup>, 2013, and the Subsidiary Loan Agreement with Brčko District of BiH on September 26<sup>th</sup>, 2014. One of the conditions to receive the loan was the introduction of PBMC road maintenance contracts.

During the first three years, 2014 - 2016, all regular (summer) and winter maintenance in the Town and West zone will be carried out by a fixed system "by order". During this period in the Eastern zone a new hybrid maintenance contract was already introduced based on performance, and the contract proved to be a good solution in the previous season of winter maintenance. Hybrid contract implies that one contractor undertakes carrying out regular (summer) maintenance by the established routine, while winter maintenance is part of the contract based on performance. The company was among the first investors in the region to introduce the "Maintenance Contract based on performance (PBMC). PBMC contract for road maintenance is the contract under which the contractor provides road maintenance for a fixed lump sum determined according to the minimum level of services that will be provided for all roads, and the investor decides how to provide relevant services within performance specifications.

Development program of PBMC contract will then progress over the next three years. The most important aspect of this program will be monitoring the implementation of winter maintenance by PBMC in the Eastern zone during the first and second winter of the contract (2013-2014 and 2014-2015).

The Brčko bypass, 18.68 km long, aims to reduce transit transport from the city in the direction east-west highway M14.1 Lončari - Brčko - Bijeljina and the direction north-south highway M1.8 Ora-je - Tuzla and regional roads R458 Brčko - Lopare - Simin Han and R460 Brčko - Cerik - Gracanica, because the existing road network is not designed for this volume of traffic, which often in urban areas leads to traffic congestion and increases the costs of the existing network maintenance, and badly affects the environment and human health in the town.

The aim of the Company is to construct Brcko bypass within 30 months beginning in March 2015.

So far the Main Project of the Brcko town bypass was completed by the Consortium "IGH" Zagreb and "GEO PUTö Banja Luka. Revision of the project was conducted by the consortium of architectural design offices from Brcko.

Expropriation of land (phase I 50 m of width) has been completed and based on it a report dating May 2014 was made and submitted to the Bank. Separates for getting a construction permit were also obtained, i.e. the consent and building permit on August 19<sup>th</sup>, 2014, for the construction of Brcko bypass phase I. On June 18<sup>th</sup>, 2014, the Office for managing public property submitted the information about facilities on the route of the bypass with the information from "JP HT Mostar", JP öKomunalno Brcko".

Selection of consultants for supervision was completed, out of six companies that had expressed their previous interest the Italian-French consortium SPEA / SAFAGE was selected. The Bank sent on August 11<sup>th</sup>, 2014, No Objection to the selected Consultant for supervision of works on the construction of the bypass. With this consortium a pre-contract meeting was held on October 16<sup>th</sup>, 2014, where general terms and conditions that will be contained in the contract were determined, while special conditions are to be determined through further harmonization in the process of drafting the Contract. The Bank had no objections to the process of selection of the consultant for supervision, especially for the reason that scoring of the commission was done by consensus (unanimously) and offers submitted by other bidders significantly exceeded the first and second placed offers.

During the operation and after receiving a positive revision report on project documentation, on June 23<sup>rd</sup>, 2014, the work commenced on drafting the specifications of works and tender documents. In the period June-August 2014 specifications for the works and the tender for the procurement of construction works on the Bypass under the rules of the Bank were done.

On August 29<sup>th</sup>, 2014, the BiH Statistics Agency was contacted in order to find a model for the application of a sliding scale that is in accordance with the rules of the EBRD required for every contract for which the completion deadline is longer than 18 months, and in this regard it has been confirmed that on the 20th of each month the Agency will give the consumer price indexes at the level of Bosnia and Herzegovina for established parameters, i.e. goods.

On September 11<sup>th</sup>, 2014, JP -Putevi Brckoø took over the project documentation from the Government Department of Public Affairs. Tender documentation was forwarded to the EBRD and the Bank had no objections to any part of the tender documents, therefore the format of the tender is in accordance with the Policy and procurement rules of the Bank (EBRD standard tender documents for works 2007) and it is in accordance with FIDIC contract documents.

On September 15<sup>th</sup>, 2014, a No Objection letter from the Bank was received, i.e. they have no objections to the tender documents for works on the construction of Brcko bypass road.

On September 16<sup>th</sup>, 2014, the JP -Putevi Brckoø announced the tender for procurement of works on the construction of Brcko bypass road; this tender was published on the EBRD website, on the website of Brcko District of BiH Assembly and in three daily newspapers in Bosnia and Herzegovina with the highest circulation and the website of the Company.

The deadline for submission is 2 months and bids will be opened on November 17<sup>th</sup>, 2014. Clarification of Tender Document No.1 was sent to potential bidders on October 9<sup>th</sup>, 2014. On October 16<sup>th</sup>, 2014, a pre-tender meeting was held and site visit with potential bidders was organized.

At the pre-tender meeting a great interest of potential bidders was evident, and some asked questions regarding the Tender Documents and the Project on which the minutes was drafted and to which the Company officially responded on October 30<sup>th</sup>, 2014. On October 20<sup>th</sup>, 2014, the Company sent a letter to the Office for managing public property to be heard about the manner of removal and disposal of wood mass in the expropriated zone of the future bypass route. On October 30<sup>th</sup>, 2014, potential bidders were sent a Clarification of the Tender Document No.2 and Addendum No. 1, i.e. appendix to the tender which contains corrections of the bill of quantities and tender forms. The Bank sent No Objection to the Addendum No.1 on October 29<sup>th</sup>, 2014.

On October 28<sup>th</sup> 2014, the Company held a meeting in the office of the EBRD in Sarajevo with the Bank representatives, Michaela Ianculescu, Senior Manager of the Office of Administrative Operations in London, and with Mr Josip Poli and Damir engi . Aat the meeting main functions of the office were presented, as well as topics relating to further realization and implementation of the project.

On November 7<sup>th</sup> 2014, the Company made a Decision on the appointment of the commission for evaluation of tenders for procurement of contractors for construction of Brcko bypass road. Opening of bids submitted to the tender for construction of the bypass was held on November 17<sup>th</sup> 2014 about which the minutes were drafted. i.e.

Minutes of Tender Opening. Offers were received from seven bidders / Consortium / Joint Venture. On December 19<sup>th</sup> 2014, the Commission consisting of employees of the Enterprise and the Managing Board of the Bank sent a Report on the selection of the most advantageous bidder -Tender Evaluation Report and Recommendation for Award of Contract. On December 30<sup>th</sup> 2014, EBRD sent the No Objection to the Tender evaluation report, i.e. that it has no objection to the evaluation report or to the proposal for the award of the contract to the most advantageous bidder.

Assessment of the Company is that the selection of the most advantageous bidder will last no longer than 60 days so that, complying with the procedures of the EBRD and FIDIC, the contract is expected to be signed in the first quarter of 2015.

Once the loan becomes effective, withdrawal of funds may begin. Procedures for withdrawal of funds have been determined, applications for withdrawal of funds, the deadlines for reporting according to the Credit Agreement and any possible contractual amendments. Also, the Instructions for EBRD are provided and the responsibility of the Company to submit medium-term business plans to EBRD was determined.

Finally, we can state that in realization of the Brcko bypass project JP -Putevi Brckoøhas achieved established dynamics, it is not falling behind in meeting the conditions and has made a significant breakthrough with new business models and ideas.

In Brcko, February 16<sup>th</sup> 2015

Respectfully,

Project manager for road construction

Bojan Delic, Grad. Civ. Eng

**Director**

Dragan Marinkovic, Grad. Civ. Eng

submitted to:

- title
- records
- archives

