

REPORT
on “Gyumri Urban Roads” Project Implementation Process
(Reporting period 01.07-30.09.2018)

1) General Information

For the implementation of the project “Gyumri Urban Roads” (hereafter the Project), on May 11, 2016 European Bank for Reconstruction and Development (hereafter the Bank), Republic of Armenia (hereafter the Borrower) and Gyumri cummune (hereafter the Project Entity) have signed “Loan Agreement”, “Grant Agreement Tranche A”, “Project Agreement”, which have been ratified as prescribed by law and “Project Implementation Agreement” has been signed between the Borrower and the Project Entity (hereafter the above agreements together –the Project Documents) on December 30, 2016:

Taking into account the Project Entity’s responsibilities set out in section 2.08. point (b) of “Project Agreement” , we submit the quarterly report which is noticed in the section 4.04(a)(iv) of Standard Terms and Conditions.

A) The works carried out during the reporting period

Due to Technical Cooperation Grants, the “Dorproject Institute” LLC (herefter, the Consultant) and the Project Entity have signed with the first dose “Gyumri Urban Roads-Project Implementation Support, Detailed Design, Construction Supervision, Maintenance Contracts Preparation” consultancy services contract (hereafter the Contract 1), on June 7, 2017. Within the frames of the contract the announced tenders’ openings have been organized based on the tender documentation packages of construction works for the 12 streets and 2 squares which are included in the project, which the Consultant had drawn and had submitted to the Project Entity during the last reporting period.

The contractor “Undermoscow” OJSC implemented the following work in frames of contract CW-ICB-2018/01 “Road and street lighting rehabilitation works on Komitas street”: construction of the underground storm water drainage system, preparation of solutions for rehabilitation of the bridge, preparation of the sand gravel base on sidewalks, carriageway

excavation, installation of basalt curb stones, construction of the base course and a/c pavement of the sidewalks, preparation of the sand gravel base on the carriageway, earthworks, construction of subbase and crush stone base, construction of a/c pavement for the sidewalks, construction of manholes.

The contractor “Undermoscow” OJSC implemented the following work in frames of contract CW-ICB-2018/02 “Road rehabilitation works on Varpetac, N.Ghorghanyan, Jivanu, Abovyan streets”: carriageway excavation, preparation of the crushed stone base, construction of the concrete base under carriageway, earthworks for sidewalks, implementation of the crushed stone base under carriageway, installation of curb stones, construction of basalt cobblestone pavement, concrete works for sidewalks, implementation of the crushed stone base for sidewalks, construction of the base of lighting poles, construction of storm water drainage system.

For commencement of CW-ICB-2018/03 “Road rehabilitation works on Yerevan Highway and Mush II Link road” the contractor “ Undermoscow” OJSC received the advance payment 20% transferred with the proportion of 2/3 (264 465.76 Euro) and 1/3 (132 232.88 Euro) , respectively, by loan and grant funds. The contractor received construction permit and access to site. The contractor implemented the following work: dismantling of existing basalt curb stones, installation of curb stones, cleaning of existing manholes and water inlets, preparatory works, earthworks, pothole patching, cold milling, construction of underground drainage system, construction of the base of lighting poles.

For commencement of CW-ICB-2018/04 “Road rehabilitation works on Garegin Njdeh Avenue, Tigran Mets avenue, Sayat Nova street, Hayuhu square” the contractor JV “Sisian FPAT” LLC and “Vahagn ev Samvel” LLC received the advance payment 20% transferred with the proportion of 2/3 (291 715.96 Euro) and 1/3 (145 857.98 Euro) , respectively, by loan and grant funds. The contractor received construction permit and access to site. The contractor implemented the following work: sidewalk excavation works, dismantling of existing curb stones, installation of basalt curb stones, excavation of tranches, construction of manholes, earthworks, construction of the storm water drainage manhole, repair of underground crossings.

On 11.07.2018 works contract has been signed with JV “A.A.B Project” LLC and “Electroservice” LLC that won the tender CW-ICB-2018/05 “Road rehabilitation works on Vazgen Sargsyan street, Gertsen street and Sharl Aznavour square”. For commencement of construction works the contractor received the advance payment 20% transferred with the proportion of 2/3 (300 807.18 Euro) and 1/3 (150 403.58 Euro), respectively, by loan and grant funds. The contractor received construction permit and access to site. The contractor implemented the following work: installation of basalt curb stones, bridge repair works, earthworks, construction of the base of lighting poles.

The Consultant “Dorproject Institute” LLC accomplished the monthly progress reports for 3 months (July, August, September), implemented technical supervision of street-building works. According to the reports mentioned above, the consultant of the project “Gyumri Urban Roads” has implemented everyday supervision on construction sites and has followed major repairs.

Several discussions have been organized between PIT, Consultant, Contractors, communication and telecommunication operators. During the discussions they discussed the problems arisen while construction works.

On 31.08.2018 a public hearing has been accured on “Parking strategy in Gyumri administrative area” in small conference hall of Gyumri Municipality, during which the brief content of the project was presented.

B) Actual or expected difficulties or delays in the implementation of the project and their effect on the implementation schedule, and the actual steps taken or planned to overcome the difficulties and avoid delays.

The contractor of CW-ICB-2018/04 installed GOST 32018-2012 “Road Construction Products, Technical Specifications for Natural Stone” curbstones, which do not meet the interstate standards, because the mentioned standard does not meet the peculiarities of basalt local production. For solving this problem the Project Consultant appealed National Institute of Standards CJSC with an offer to terminate the operation of mentioned standard in Republic of Armenia. As a response of that, National Institute of Standards CJSC offered to use the following standards during the implementation of projects, while designing work process in road construction field: AST EN 1341-2015 “Natural stone slabs for external paving: Requirements and test methods”, AST EN 1342-2015 “Setts of natural stone for external paving - Requirements and test methods”, AST EN 1343-2015 “Kerbs of natural stone for external paving - Requirements and test methods” for basalt stone products before developing new national standards.

The contractors submit several writings pointing out a number of issues presented in design documents related to the gas, water and electricity supply systems. Several discussions have been organized for solving these issues, which have not produced any results, and these issues still remain unresolved.

If no action is taken to solve these issues, the Project Entity intends to apply to the Government of RA.

C) Expected changes in the completion date of the Project

The delays set out in the B point of this report as well as the extensions of realizing obligations of Consultant 3 set out in Contract 3 may affect the deadlines of The Project closing.

According to schedule set out in the Appendix 1 of the Project Implementation Agreement signed between the Project Entity and the Bank, the Project closing is foreseen December, 2019. However, taking into account the difficulties and delays described in 2-nd point of this report, the Project is expected to be completed in November 2020.

D) Key personnel changes in the staff of the Project Entity, the PIT, the Consultants or the Contractors

According to the tender documents submitted by The Contractor and The Consultant, no documents have been submitted on changes of the personnel included in the implementation of works. What comes to the staff of Project Entity and PIT, significant changes have been made to them (The order has been sent to Bank).

E) Matters that may affect the cost of the Project

The matters that may affect the cost of the Project, are the reconstruction of the bridge which was found in Komitas street, as well as the construction of underground drainage systems, which have not been submitted in the design estimate documents. This will be furthermore presented separately with modification instructions and calculations.

F) Any development or activity likely to affect the economic viability of any Part of the project

During the reporting period a problem arose while construction works being implemented by contractor of CW-ICB-2018/01: a bridge was discovered, which was not provided in design documents. The restoration of the bridge requires extra time and financial means.

Several defects have been recorded related to the works for implementation of environmental mitigation measures and temporary traffic regulation while construction works, as a result of the monitoring carried out by the relevant specialists of "Dorproject Institute" LLC in frames of contracts CW-ICB-2018/01, CW-ICB-2018/02, CW-ICB-2018/03, CW-ICB-2018/04 and CW-ICB-2018/05. Gyumri Municipality issued the contractors with exhortation to solve the mentioned problems as soon as possible.

The contractors of contracts CW-ICB-2018/01, CW-ICB-2018/02, CW-ICB-2018/03, CW-ICB-2018/04 and CW-ICB-2018/05 had requests regarding to underground communications and installation of telecommunication providing ground

cables through underground channels. As a response of requests the Consultant has received appropriate assignments to provide the package for making changes in design documents and bills of quantities as soon as possible.

Taking into consideration the delays in the works carried out by the contractors and the deviations from the contractual requirements, the contractors have been given appropriate instructions, in case of failure of which the Project Entity intends to discuss the issue of terminating some contracts.

2) Column diagram of the implemented work

Currency *Euro*

N	The description of implemented work	Planned expenditures	Actual expenditures	Timetable		Work processes
				According to the Contract	Actual	
1	Support on Project Implementation: first Contract	-	-	-	-	-
1.1	Environmental and Social Impact Assessment	-	-	-	-	-
1.2	Environmental and Social Action Plan	-	-	-	-	-
1.3	Road safety report	-	-	-	-	-
1.4	Tender documents	-	-	-	-	-
1.5	Monthly progress Report	128400.0	-	April-September	April-September 2018	Submitted

				2018		
2	"Parking Strategy and Action Plan"	32000.0	-	-	-	
2.1	Final report on organizing parking	32000.0	-	April-August 2018	August 2018	Accepted

3)Financial report

Currency: *Euro*/Thousand

N	Description	Preliminary estimates of expenditures	Revised estimates of expenditures	Amount of expenditures made during the reporting period	Justifications for difference between made and calculated expenditures	Expenditures calculated for the remaining quarters of year
1	Part A. Capital Expenditures .Tranche A	7950.0	6583.3	1285.48	Contractors did not submit performance acts	5297.82
2	Part B. Technical Cooperation	1360.0	-	-	The Consultant has submitted, the Project Entity did not approve yet	980.86

4) Brief overview of fulfillment status of the terms provided in agreement

The project Entity Gyumri Municipality has fulfilled all the terms provided in agreement.